

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of earliest event reported: June 8, 1995

AMERICAN AIRLINES, INC.

(Exact name of registrant as specified in its charter)

Delaware 1-2691 13-1502798

(State of Incorporation) (Commission File Number) (IRS Employer Identification No.)

4333 Amon Carter Blvd. Fort Worth, Texas 76155

(Address of principal executive offices) (Zip Code)

(817) 963-1234

(Registrant's telephone number)

Item 7. Exhibits. The documents listed below are filed as Exhibits with reference to the Registration Statement (the "Registration Statement") on Form S-3 (Registration No. 33-42998) of American Airlines, Inc. (the "Company"). The Registration Statement and the Prospectus Supplement, dated June 8, 1995, to the Prospectus, dated June 5, 1992, relate to the offering of the Company's Pass Through Certificates, Series 1995-A.

- 4(a)(6) Form of Trust Supplement to the Pass Through Trust Agreement between the Company and State Street Bank and Trust Company of Connecticut, National Association, as Trustee.
- 4(b)(13) Form of Amended and Restated Trust Indenture and Security Agreement, relating to a Boeing 767-323ER Aircraft.
- 4(b)(14) Form of Amended and Restated Trust Indenture and Security Agreement relating to a Boeing 767-323ER Aircraft.
- 4(b)(15) Form of Amended and Restated Trust Indenture and Security Agreement relating to a Boeing 767-323ER Aircraft.
- 4(b)(16) Form of Pass Through Equipment Note relating to a Boeing 767-323ER Aircraft. (Included in Exhibit 4(b)(13))
- 4(b)(17) Form of Pass Through Equipment Note relating to a Boeing 767-323ER Aircraft. (Included in Exhibit 4(b)(14))
- 4(b)(18) Form of Pass Through Equipment Note relating to a Boeing 767-323ER Aircraft. (Included in Exhibit 4(b)(15))
- 4(c)(13) Form of Participation Agreement relating to a Boeing 767-323ER Aircraft.
- 4(c)(14) Form of Amendment to Participation Agreement relating to a Boeing 767-323ER Aircraft. (Included in Exhibit 4(f)(7))
- 4(c)(15) Form of Participation Agreement relating to a Boeing 767-323ER Aircraft.

- 4(c)(16) Form of Amendment to Participation Agreement relating to a Boeing 767-323ER Aircraft. (Included in Exhibit 4(f)(8))
- 4(c)(17) Form of Participation Agreement relating to a Boeing 767-323ER Aircraft.
- 4(c)(18) Form of Amendment to Participation Agreement relating to a Boeing 767-323ER Aircraft. (Included in Exhibit 4(f)(9))
- 4(d)(12) Form of Trust Agreement relating to a Boeing 767-323ER Aircraft.
- 4(d)(13) Form of First Amendment to Trust Agreement relating to a Boeing 767-323ER Aircraft.
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- 4(e)(13) Form of Lease Agreement relating to a Boeing 767-323ER Aircraft.
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- 4  
4(f)(8) Form of Refunding Agreement relating to a Boeing 767-323ER Aircraft.
- 4(f)(9) Form of Refunding Agreement relating to a Boeing 767-323ER Aircraft.
- 5(c) Opinion of Bingham, Dana & Gould, counsel for the Trustee.
- 24(d) Consent of Bingham, Dana & Gould, counsel to the Trustee.  
(Included in Exhibit 5(c))
- 99(a)(1) Bylaws of the Company, amended as of March 15, 1995.

## SIGNATURE

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.

AMERICAN AIRLINES, INC.

Dated: June 15, 1995

By: /s/ CHARLES D. MARLETT  
Charles D. MarLett  
Corporate Secretary

Exhibit	Exhibit Index
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(Included in Exhibit 5(c))
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Form of  
AMERICAN AIRLINES, INC.

and

STATE STREET BANK AND TRUST COMPANY  
OF CONNECTICUT, NATIONAL ASSOCIATION  
as Trustee

Trust Supplement No. 1

Dated as of June 15, 1995

to

PASS THROUGH TRUST AGREEMENT,  
Amended and Restated as of February 1, 1992

This Trust Supplement No. 1, dated as of June 15, 1995 (the "Trust Supplement"), between American Airlines, Inc., a Delaware Corporation (the "Company"), and State Street Bank and Trust Company of Connecticut, National Association, a national banking association, as Trustee, to the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between the Company and the Trustee (the "Basic Agreement"). Undefined capitalized terms in this Trust Supplement are defined in the Basic Agreement.

W I T N E S S E T H:

WHEREAS, the Company and the Trustee have entered into the Basic Agreement, which is unlimited as to the aggregate principal amount of Certificates which may be issued thereunder;

WHEREAS, each of three Owner Trustees, each acting on behalf of an Owner Participant, will issue, on a non-recourse basis, Equipment Notes, among other things, to refinance not more than 80% of the equipment cost to such Owner Trustee of the aircraft purchased by such Owner Trustee and leased to the Company pursuant to the related Lease;

WHEREAS, the Equipment Notes will be issued in two series with respect to each Aircraft; one series of Equipment Notes with respect to each Aircraft (the "Pass Through Equipment Notes") will be acquired by the 1995-A Trust (as hereinafter defined); the other series of Equipment Notes (the "Bank Equipment Notes") will be acquired by a bank;

WHEREAS, pursuant to the terms and conditions of the Basic Agreement as supplemented by this Trust Supplement (the "Agreement") and the Refunding Agreements described in Section 2.01(i)(vi) herein, the Trustee shall purchase Pass Through Equipment Notes issued by such Owner Trustees of the same tenor as the Certificates issued hereunder and shall hold such Pass Through Equipment Notes in trust for the benefit of the Certificateholders;

WHEREAS, this Trust Supplement is subject to the provisions of the Trust Indenture Act of 1939, as amended, and shall, to the extent applicable, be governed by such provisions;

NOW THEREFORE, in consideration of the mutual agreements contained in the Agreement and other good and

valuable consideration, receipt of which is hereby acknowledged, it is agreed between the Company and the Trustee as follows:

#### ARTICLE I

Section 1.1. Declaration of Trust. The Trustee hereby declares the creation of this Trust (the "1995- A Trust") for the benefit of the Certificateholders, and the initial Certificateholders as the grantors of the 1995-A Trust, by their respective acceptances of the Certificates, join in the creation of this 1995-A Trust with the Trustee.

#### ARTICLE II

##### THE CERTIFICATES

Section 2.1. The Certificates. There is hereby created a series of Certificates to be issued under the Agreement to be distinguished and known as "Pass Through Certificates Series 1995-A" (hereinafter defined as the "Series 1995-A Certificates"). Each Certificate represents a Fractional Undivided Interest in the 1995-A Trust created hereby. The terms and conditions applicable to the Series 1995-A Certificates are as follows:

(a) The aggregate principal amount of the Series 1995-A Certificates that shall be authenticated and delivered under the Agreement (except for Series 1995-A Certificates authenticated and delivered pursuant to Sections 3.03, 3.04 and 3.05 of the Basic Agreement) upon their initial issuance is \$65,898,000.

(b) The Cut-off Date is August 11, 1995.

(c) The Regular Distribution Dates with respect to any payment of Scheduled Payments means each January 2 and July 2, commencing July 2, 1995, until payment of all of the Scheduled Payments to be made under the Pass Through Equipment Notes have been made.

(d) The Scheduled Payments shall be as set forth in Exhibit C hereto.

(e) The Special Distribution Dates are as follows: (i) when used with respect to the redemption or purchase of any Pass Through Equipment Notes, the

day (which shall be a Business Day) on which such redemption or purchase is scheduled to occur pursuant to the terms of the Indenture, ii) when used with respect to distribution of the amounts required to be distributed pursuant to the last paragraph of Section 2.02(b) of the Basic Agreement, September 5 and (iii) when used with respect to any Special Payment other than as described in clauses (i) and (iii) of the definition of a Special Payment, 20 days after the last date on which the Trustee must give notice pursuant to Section 4.02(c) of the Basic Agreement (or the next Business Day after such 20th day if such date is not a Business Day).

(f) The Series 1995-A Certificates shall be Book-Entry Certificates and shall be in the form attached hereto as Exhibit A. The Series 1995-A Certificates shall be subject to the conditions set forth in the Letter of Representations between the Company, the Trustee and the Depository Trust Company, the initial Clearing Agency, attached hereto as Exhibit B.

(g) The following amounts of the proceeds of the Series 1995-A Certificates shall be used to purchase the Pass Through Equipment Notes specified below:

Pass Through Equipment Note -----	Original Principal Amount -----	Maturity -----
1995 PTC Series AA	\$18,748,000	January 2, 2017
1995 PTC Series AB	23,607,000	January 2, 2017
1995 PTC Series AC	23,543,000	January 2, 2017

(h) Each of three Owner Trustees, each acting on behalf of an Owner Participant, will issue on a non-recourse basis the Pass Through Equipment Notes, the proceeds of which shall be used, among other things, to refinance a portion of the outstanding debt portion of the equipment cost of the following Aircraft:

Aircraft -----	Manufacturer's Serial Number -----	U.S. Registration Number -----
1 Boeing 767-323ER	25201	N374AA
1 Boeing 767-323ER	25202	N7375A
1 Boeing 767-323ER	25445	N376AN

(i) The related Note Documents and related Note Purchase Agreements are as follows:

(i) Each of the following Indentures:

Amended and Restated Trust Indenture and Security Agreement (1995 PTC Series AA), dated as of June 15, 1995;

Amended and Restated Trust Indenture and Security Agreement (1995 PTC Series AB), dated as of June 15, 1995;

Amended and Restated Trust Indenture and Security Agreement (1995 PTC Series AC), dated as of June 15, 1995;

(ii) Each of the following Leases:

Lease Agreement (1992 AF-1), dated as of June 15, 1992, as amended by the First Amendment to Lease Agreement (1995 PTC Series AA) dated as of June 15, 1995;

Lease Agreement (1992 AF-2), dated as of July 1, 1992, as amended by the First Amendment to Lease Agreement (1995 PTC Series AB) dated as of June 15, 1995;

Lease Agreement (1992 AF-3), dated as of August 1, 1992, as amended by the First Amendment to Lease Agreement (1995 PTC Series AC) dated as of June 15, 1995;

(iii) Each of the following Owner Trustee Purchase Agreement Assignments:

Owner Trustee's Purchase Agreement Assignment (AA 1992 AF-1), dated as of June 15, 1992;

Owner Trustee's Purchase Agreement Assignment (AA 1992 AF-2), dated as of July 1, 1992;

Owner Trustee's Purchase Agreement Assignment (AA 1992 AF-3), dated as of August 1, 1992;

(iv) Each of the following Participation Agreements:

Participation Agreement (AA 1992 AF-1), dated as of June 15, 1992, as amended by the Amendment to

Participation Agreement (AA 1995 PTC Series AA) dated as of June 15, 1995;

Participation Agreement (AA 1992 AF-2), dated as of July 1, 1992, as amended by the Amendment to Participation Agreement (AA 1995 PTC Series AB) dated as of June 15, 1995;

Participation Agreement (AA 1992 AF-3), dated as of August 1, 1992, as amended by the Amendment to Participation Agreement (AA 1995 PTC Series AC) dated as of June 15, 1995;

(v) Each of the following Trust Agreements:

Trust Agreement (AA 1992 AF-1), dated as of June 15, 1992, as amended by the First Amendment to Trust Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995;

Trust Agreement (AA 1992 AF-2), dated as of July 1, 1992, as amended by the First Amendment to Trust Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995;

Trust Agreement (AA 1992 AF-3), dated as of August 1, 1992, as amended by the First Amendment to Trust Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995;

(vi) Each of the following Refunding Agreements:

Refunding Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995.

Refunding Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995.

Refunding Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995.

(j) The Pass Through Certificates may not be purchased by or transferred to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or individual retirement account or employee benefit plan subject to Section 4975 of the Internal Revenue Code of 1986, as amended (each an "ERISA Plan") or by any other

entity whose assets constitute assets of an ERISA Plan unless one of the Underwriter Exemptions (as defined below) applies to such purchase. The purchase by any person of any Pass Through Certificate constitutes a representation by such person to the Company, the Owner Participant, the Owner Trustees, the Loan Trustees and the Trustee that either (i) such person is not an ERISA Plan and that such person is not acquiring, and has not acquired, such Pass Through Certificate with assets of an ERISA Plan or (ii) one of the Underwriter Exemptions applies to such purchase. For purposes of this paragraph, "Underwriter Exemption" means any one of the administrative exemptions granted by the United States Department of Labor to J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc (Prohibited Transaction Exemption 90-23, Exemption Application No. D-7989, 55 Fed. Reg. 20,545 (1990), Prohibited Transaction Exemption 90-24 et al., Exemption Application No. D-8019 et al., 55 Fed. Reg. 20,548 (1990) and Prohibited Transaction Exemption 89-89, Exemption Application No. D-6446, as amended, 55 Fed. Reg. 48,939 (1990), respectively).

### ARTICLE III

#### AMENDMENTS TO THE BASIC AGREEMENT

Section 3.1. Amendments to the Basic Agreement. (a) Section 1.01. For the purpose of the 1995-A Trust, the provided further clause of the definition of "Specified Investments" in Section 1.01 is amended by deleting the phrase "the Special Distribution Date next following the Cut-off Date for such Trust by more the 20 days" and substituting therefor "September 5, 1995."

(b) Section 4.02(c). For the purpose of the 1995-A Trust, the second sentence of Section 4.02(c) is amended by deleting the words "either of the last two paragraphs" and substituting therefor "the last paragraph" and the third sentence of Section 4.02(c) is amended by deleting the phrase "as soon as practicable" and substituting therefor "not more than five days."

(c) Section 7.08(e). For the purpose of the 1995-A Trust, Section 7.08(e) is amended by deleting it in its entirety and substituting therefor the following:

(e) If a Responsible Officer of the Trustee shall obtain actual knowledge of an Avoidable Tax (as hereinafter defined) in respect of any Trust which has been or is likely to be asserted, the Trustee shall promptly notify the Company and shall, within 30 days of such notification, either (1) change the location in which it performs any activities or functions so as to avoid application of the Avoidable Tax, or (2) resign as Trustee of such Trust, unless within such 30-day period the Trustee shall have received notice that the Company has agreed to pay such tax. If the Trustee resigns pursuant to the preceding sentence, the Company shall promptly appoint a successor Trustee of such Trust located in (including performing functions and activities in) a jurisdiction where there are no Avoidable Taxes. As used herein an Avoidable Tax in respect of any Trust means a state or local tax: (i) upon (w) such Trust, (x) the Trust Property of such Trust, (y) Certificateholders of such Trust, or (z) the Trustee for which the Trustee is entitled to seek reimbursement from the Trust Property of such Trust, and (ii) which would be avoided if the Trustee of such Trust were located in (including, without limitation, performing any functions or activities in) another state, or jurisdiction within a state, within the United States. A tax shall not be an Avoidable Tax in respect of any Trust if the Company shall agree to pay, and shall pay, such tax.

(d) Section 10.01. For the purpose of the 1995-A Trust, the first sentence of Section 10.01 is amended by adding the phrase "from any party thereto" before the comma after the word "Agreement."

#### ARTICLE IV

##### THE TRUSTEE

Section 4.1. The Trustee. Except as herein otherwise provided, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed by the Trustee by reason of this Trust Supplement other than as set forth in the Basic Agreement, and this Trust Supplement is executed and accepted on behalf of the Trustee, subject to all the terms and conditions set forth in the Basic Agreement, upon the effectiveness thereof, as fully to all intents as if the same were herein set forth at length.

ARTICLE V  
MISCELLANEOUS PROVISIONS

Section 5.1. Final Termination Date. The respective obligations and responsibilities of the Company and the Trustee created hereby and the Trust created hereby shall terminate upon the distribution to all Certificateholders and the Trustee of all amounts required to be distributed to them pursuant to the Basic Agreement and this Trust Supplement and the disposition of all property held as part of the Trust Property; provided, however, that in no event shall the Trust created hereby continue beyond the expiration of 21 years from the death of the last survivor of the descendants of George Bush, former President of the United States of America, living on the date of this Trust Supplement.

Section 5.2. Basic Agreement Ratified. Except and so far as herein expressly provided, all of the provisions, terms and conditions of the Basic Agreement are in all respects ratified and confirmed; and the Basic Agreement and this Trust Supplement shall be taken, read and construed as one and the same instrument.

Section 5.3. Governing Law. THIS TRUST SUPPLEMENT AND THE SERIES 1995-A CERTIFICATES HAVE BEEN DELIVERED IN THE STATE OF NEW YORK AND THE CERTIFICATES SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK AND THE OBLIGATIONS, RIGHTS, AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

Section 5.4. Counterparts. For the purpose of facilitating the execution of this Trust Supplement and for other purposes, this Trust Supplement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and all of which counterparts shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the Company and the Trustee have caused this Trust Supplement to be duly executed by their respective officers thereto duly authorized, as of the day and year first written above.

AMERICAN AIRLINES, INC.

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

STATE STREET BANK AND TRUST  
COMPANY OF CONNECTICUT, NATIONAL  
ASSOCIATION, as Trustee

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

## EXHIBIT A

## FORM OF CERTIFICATE

(\*Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC") to Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

AMERICAN AIRLINES 1995-A PASS THROUGH TRUST

Pass Through  
Certificate, Series 1995-A

Final Distribution Date: January 2, 2017

evidencing a fractional undivided interest in a trust, the property of which includes certain equipment notes each secured by an Aircraft leased to American Airlines, Inc.

Certificate

No. \_\_\_\_\_ \$ \_\_\_\_\_ Fractional Undivided Interest representing  
\_\_\_\_\_ % of the Trust per \$1,000 face amount

---

(\*) This legend to appear on Certificates to be deposited with the Depository Trust Company. One Certificate may be issued in a denomination less than \$1,000 which shall not have this legend.

THIS CERTIFIES THAT \_\_\_\_\_, for value received, is the registered owner of a \$ \_\_\_\_\_ (\_\_\_\_\_dollars) Fractional Undivided Interest in the American Airlines 1995-A Pass Through Trust (the "Trust") created by State Street Bank and Trust Company of Connecticut, National Association, as trustee (the "Trustee"), pursuant to a Pass Through Trust Agreement amended and restated as of February 1, 1992 (the "Basic Agreement"), as supplemented by Trust Supplement No. 1 thereto, dated as of June 15, 1995 (the "Trust Supplement," and together with the Basic Agreement, the "Agreement"), between the Trustee and American Airlines, Inc., a corporation incorporated under Delaware law (the "Company"), a summary of certain of the pertinent provisions of which is set forth below. To the extent not otherwise defined herein, the capitalized terms used herein have the meanings assigned to them in the Agreement. This Certificate is one of the duly authorized Certificates designated as "Pass Through Certificates, Series 1995-A" (herein called the "Certificates"). This Certificate is issued under and is subject to the terms, provisions, and conditions of the Agreement, to which Agreement the Certificateholder of this Certificate by virtue of the acceptance hereof assents and by which such Certificateholder is bound. The property of the Trust (the "Trust Property") includes certain Pass Through Equipment Notes (the "Pass Through Equipment Notes"). Each issue of Pass Through Equipment Notes is secured by a security interest in an aircraft leased to the Company.

The Certificates represent Fractional Undivided Interests in the Trust and the Trust Property, and have no rights, benefits or interest in respect of any other separate trust established pursuant to the terms of the Basic Agreement for any other series of certificates issued pursuant thereto.

Subject to and in accordance with the terms of the Agreement, from funds then available to the Trustee, there will be distributed on each January 2 and July 2 (a "Regular Distribution Date"), commencing on July 2, 1995, to the Person in whose name this Certificate is registered at the close of business on the 15th day preceding the Regular Distribution Date, an amount in respect of the Scheduled Payments on the Pass Through Equipment Notes due on such Regular Distribution Date, the receipt of which has been confirmed by the Trustee, equal to the product of the percentage interest in the Trust evidenced by this

Certificate and an amount equal to the sum of such Scheduled Payments. Subject to and in accordance with the terms of the Agreement, in the event that Special Payments on the Pass Through Equipment Notes are received by the Trustee, from funds then available to the Trustee, there shall be distributed on the applicable Special Distribution Date, to the Person in whose name this Certificate is registered at the close of business on the 15th day preceding the Special Distribution Date, an amount in respect of such Special Payments on the Pass Through Equipment Notes, the receipt of which has been confirmed by the Trustee, equal to the product of the percentage interest in the Trust evidenced by this Certificate and an amount equal to the sum of such Special Payments so received. If a Regular Distribution Date is not a Business Day, distribution shall be made on the immediately following Business Day with the same force and effect as if made on such Regular Distribution Date and no interest shall accrue during the intervening period. The Special Distribution Date shall be the Business Day as provided in the Trust Supplement. The Trustee shall mail notice of each Special Payment and the Special Distribution Date therefor to the Certificateholder of this Certificate.

Distributions on this Certificate will be made by the Trustee by check mailed to the Person entitled thereto, without the presentation or surrender of this Certificate or the making of any notation hereon. Except as otherwise provided in the Agreement and notwithstanding the above, the final distribution on this Certificate will be made after notice mailed by the Trustee of the pendency of such distribution and only upon presentation and surrender of this Certificate at the office or agency of the Trustee specified in such notice.

The Pass Through Certificates may not be purchased by or transferred to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or individual retirement account or employee benefit plan subject to Section 4975 of the Internal Revenue Code of 1986, as amended (each an "ERISA Plan") or by any other entity whose assets constitute assets of an ERISA Plan unless one of the Underwriter Exemptions (as defined below) applies to such purchase. The purchase by any person of any Pass Through Certificate constitutes a representation by such person to the Company, the Owner Participant, the Owner Trustees, the Loan Trustees and the Trustee that either (i) such person is not an ERISA Plan and that such person is not acquiring, and has not acquired, such Pass Through Certificate with assets of an ERISA Plan

or (ii) one of the Underwriter Exemptions applies to such purchase. For purposes of this paragraph, "Underwriter Exemption" means any one of the administrative exemptions granted by the United States Department of Labor to J.P. Morgan Securities Inc., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc (Prohibited Transaction Exemption 90- 23, Exemption Application No. D-7989, 55 Fed. Reg. 20,545 (1990), Prohibited Transaction Exemption 90-24 et al., Exemption Application No. D-8019 et al., 55 Fed. Reg. 20,548 (1990) and Prohibited Transaction Exemption 89-89, Exemption Application No. D-6446, as amended, 55 Fed. Reg. 48,939 (1990), respectively).

This Certificate shall be governed by and construed in accordance with the laws of the State of New York.

Reference is hereby made to the further provisions of this Certificate set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee, by manual signature, this Certificate shall not be entitled to any benefit under the Agreement or be valid for any purpose.

IN WITNESS WHEREOF, the Trustee has caused this Certificate to be duly executed.

AMERICAN AIRLINES  
1995-A PASS THROUGH TRUST

By: STATE STREET BANK AND  
TRUST COMPANY OF  
CONNECTICUT, NATIONAL  
ASSOCIATION, as Trustee

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

FORM OF THE TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Certificates referred  
to in the within-mentioned Agreement.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

## Reverse of Certificate

The Certificates do not represent a direct obligation of, or an obligation guaranteed by, or an interest in, the Company or the Trustee or any affiliate thereof. The Certificates are limited in right of payment, all as more specifically set forth on the face hereof and in the Agreement. All payments or distributions made to Certificateholders under the Agreement shall be made only from the Trust Property and only to the extent that the Trustee shall have sufficient income or proceeds from the Trust Property to make such payments in accordance with the terms of the Agreement. Each Certificateholder of this Certificate, by its acceptance hereof, agrees that it will look solely to the income and proceeds from the Trust Property to the extent available for distribution to such Certificateholder as provided in the Agreement. This Certificate does not purport to summarize the Agreement and reference is made to the Agreement for information with respect to the interests, rights, benefits, obligations, proceeds, and duties evidenced hereby. A copy of the Agreement may be examined during normal business hours at the principal office of the Trustee, and at such other places, if any, designated by the Trustee, by any Certificateholder upon request.

The Agreement permits, with certain exceptions therein provided, the amendment thereof and the modification of the rights and obligations of the Company and the rights of the Certificateholders under the Agreement at any time by the Company and the Trustee with the consent of the Certificateholders holding Certificates evidencing Fractional Undivided Interests aggregating not less than a majority in interest in the Trust. Any such consent by the Certificateholder of this Certificate shall be conclusive and binding on such Certificateholder and upon all future Certificateholders of this Certificate and of any Certificate issued upon the transfer hereof or in exchange hereof or in lieu hereof whether or not notation of such consent is made upon this Certificate. The Agreement also permits the amendment thereof, in certain limited circumstances, without the consent of the Certificateholders of any of the Certificates.

As provided in the Agreement and subject to certain limitations therein set forth, the transfer of this Certificate is registrable in the Register upon surrender of this Certificate for registration of transfer at the offices or agencies maintained by the Trustee in its capacity as

Registrar, or by any successor Registrar, in the Borough of Manhattan, the City of New York, duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee and the Registrar duly executed by the Certificateholder hereof or such Certificateholder's attorney duly authorized in writing, and thereupon one or more new Certificates of authorized denominations evidencing the same aggregate Fractional Undivided Interest in the Trust will be issued to the designated transferee or transferees.

The Certificates are issuable only as registered Certificates without coupons in minimum denominations of \$1,000 Fractional Undivided Interest and integral multiples thereof. As provided in the Agreement and subject to certain limitations therein set forth, the Certificates are exchangeable for new Certificates of authorized denominations evidencing the same aggregate Fractional Undivided Interest in the Trust, as requested by the Certificateholder surrendering the same.

No service charge will be made for any such registration of transfer or exchange, but the Trustee shall require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

The Trustee, the Registrar, and any agent of the Trustee or the Registrar may treat the person in whose name this Certificate is registered as the owner hereof for all purposes, and neither the Trustee, the Registrar, nor any such agent shall be affected by any notice to the contrary.

The obligations and responsibilities created by the Agreement and the Trust created thereby shall terminate upon the distribution to Certificateholders of all amounts required to be distributed to them pursuant to the Agreement and the disposition of all property held as part of the Trust Property.

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FORM OF  
AMENDED AND RESTATED TRUST INDENTURE

AND SECURITY AGREEMENT

(AA 1995 PTC Series AA)

dated as of June 15, 1995

between

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity except as expressly set forth herein  
but solely as Owner Trustee

and

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, as Loan Trustee

One Boeing 767-323ER Aircraft

U.S. Registration No. N374AA  
Manufacturer's Serial No. 25201

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(Series AA)

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Pursuant to Section 7.03 of Trust Indenture

V  
(Series AA)

AMENDED AND RESTATED TRUST INDENTURE  
AND SECURITY AGREEMENT

This AMENDED AND RESTATED TRUST INDENTURE AND SECURITY AGREEMENT (AA 1995 PTC Series AA), dated as of June 15, 1995, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise expressly provided herein, but solely as Owner Trustee under the Trust Agreement (capitalized terms used herein having the respective meanings specified therefor in Article 1), and STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as Loan Trustee hereunder.

W I T N E S S E T H:

WHEREAS, the Owner Participant and the Owner Trustee in its individual capacity have entered into the Trust Agreement whereby, among other things, (i) the Owner Trustee has established a certain trust for the use and benefit of the Owner Participant subject, however, to the Indenture Estate created pursuant hereto for the use and benefit of, and with the priority of payment to, the holders of the Equipment Notes issued hereunder, and (ii) the Owner Trustee has been authorized and directed to execute and deliver this Agreement;

WHEREAS, the Owner Trustee and NationsBank of Georgia, National Association as Indenture Trustee (the "Indenture Trustee") entered into the Trust Indenture and Security Agreement (AA 1992 AF-1) dated as of June 15, 1992 (the "Original Indenture");

WHEREAS, the Owner Trustee and the Indenture Trustee entered into Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-1) (the "Supplement") dated June 17, 1992 to the Original Indenture;

WHEREAS, the Original Indenture and the Supplement were recorded with the Federal Aviation Administration on June 18, 1992 and were assigned Conveyance No. WW41684;

WHEREAS, pursuant to Section 5 of the Refunding Agreement, the parties thereto have agreed that the Indenture Trustee under the Original Indenture shall resign and be replaced in such capacity by the Loan Trustee;

(Series AA)

WHEREAS, the parties desire by this Agreement, among other things, (i) to amend and restate in its entirety the Original Indenture, (ii) to provide for the issuance by the Owner Trustee of the Equipment Notes and (iii) to provide for the assignment, mortgage and pledge by the Owner Trustee to the Loan Trustee, as part of the Indenture Estate hereunder, among other things, of certain of the Owner Trustee's right, title and interest in and to the Aircraft and the Operative Documents and certain payments and other amounts received hereunder or thereunder in accordance with the terms hereof, as security for, among other things, the Owner Trustee's obligations to the Loan Trustee, for the ratable benefit and security of the Loan Participants; and

WHEREAS, all things necessary to make this Agreement the legal, valid and binding obligation of the Owner Trustee and the Loan Trustee, for the uses and purposes herein set forth, in accordance with its terms, have been done and performed and have happened;

#### GRANTING CLAUSE

NOW, THEREFORE, THIS TRUST INDENTURE AND SECURITY AGREEMENT WITNESSETH, that, to secure the prompt payment of the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, as the case may be, and interest on and all other amounts due with respect to, all Equipment Notes from time to time Outstanding and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions contained herein and in the other Operative Documents to which it is a party for the benefit of the Loan Participants, and the prompt payment of any amounts from time to time owing to the Loan Participants under the Participation Agreement and the Refunding Agreement by the Owner Trustee, the Owner Participant and the Lessee, and for the uses and purposes and subject to the terms and provisions hereof, and in consideration of the premises and of the covenants herein contained, and of the acceptance of the Equipment Notes by the Loan Participants, and of the sum of \$1 paid to the Owner Trustee by the Loan Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors and assigns, for the security and benefit of the Loan Participants from time to time, a

security interest in and mortgage Lien on all estate, right, title and interest of the Owner Trustee in, to and under the following described property, rights, interests and privileges (which collectively, including all property hereafter specifically subjected to the Lien of this Agreement by any instrument supplemental hereto, but excluding the Excepted Property, are herein called the "Indenture Estate"):

(1) the Boeing Company Model 767-323ER Aircraft with FAA Registration Number N374AA and Manufacturer's serial number 25201 (including the Airframe and the two General Electric CF6-80C2B6 with Manufacturer's serial numbers 695522 and 695515 (each such Engine having 750 or more rated take-off horsepower or the equivalent thereof) originally installed thereon), and all replacements thereof and substitutions therefor in which the Owner Trustee shall from time to time acquire an interest in accordance with the Lease, as more particularly described in the Trust Agreement and Indenture Supplement and the Lease Supplement executed and delivered with respect to the Aircraft or any such replacements thereof or substitutions therefor, as provided in this Agreement and the Lease;

(2) the Lease (including the Rent Schedule), each Lease Supplement and all Rent thereunder, including, without limitation, all amounts of Basic Rent, Supplemental Rent, and payments of any kind required to be made by the Company thereunder; the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment); and the Purchase Agreement Assignment; in each case including, without limitation, (x) all rights of the Owner Trustee to receive any payments or other amounts or to exercise any election or option or to make any decision or determination or to give or receive any notice, consent, waiver or approval or to take any other action under or in respect of any such document or to accept surrender or redelivery of the Aircraft or any part thereof, as well as all the rights, powers and remedies on the part of the Owner Trustee, whether acting under any such document or by statute or at law or in equity, or otherwise, arising out of any Lease Event of Default (except as otherwise provided for hereunder), and (y) any right to restitution from the Company or any other Person in respect of any determination of invalidity of any such document;

(3) all rents, issues, profits, revenues and other income of the property subjected or required to be subjected to the Lien of this Agreement;

(4) all requisition proceeds with respect to the Aircraft or any part thereof and all insurance proceeds with respect to the Aircraft or any part thereof, but excluding any insurance maintained by the Owner Trustee, the Owner Participant or the Company and not required under Section 11 of the Lease;

(5) all moneys and securities now or hereafter paid or deposited or required to be paid or deposited to or with the Loan Trustee by or for the account of the Owner Trustee pursuant to any term of any Operative Document and held or required to be held by the Loan Trustee hereunder;

(6) all rights of the Owner Trustee to amounts paid or payable by the Company to the Owner Trustee under the Participation Agreement and all rights of the Owner Trustee to enforce payment of any such amounts thereunder; and

(7) all proceeds of the foregoing (the Owner Trustee having delivered to the Loan Trustee the original executed Lease and Lease Supplement and executed counterparts of the Trust Agreement and the Purchase Agreement Assignment);

Notwithstanding the foregoing provisions:

(a) there shall be excluded from the Indenture Estate and from the security interest granted by this Agreement all Excepted Property;

(b) (i) whether or not a Lease Event of Default shall occur and be continuing, the Owner Trustee and the Owner Participant shall at all times retain the right, to the exclusion of the Loan Trustee, (A) to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to demand, collect, sue for or otherwise receive and enforce the payment of Excepted Property due and payable to it or to take any other action in respect of, but in each case only to the extent relating to, Excepted Property and to commence an action at law to obtain such Excepted Property, (B) to adjust Basic Rent and the percentages

relating to Special Purchase Price, Stipulated Loss Value and Termination Value as provided in Section 3(e) of the Lease or Section 18 of the Participation Agreement, (C) to retain the rights of the "Lessor" with respect to solicitations of bids, and the election to retain or sell the Aircraft pursuant to Section 9 of the Lease, (D) to retain the right of the "Lessor" to determine the fair market rental value or fair market sales value pursuant to Section 9(e) or Section 20 of the Lease, (E) to retain all rights with respect to insurance maintained for its own account in conformity with Section 11(d) of the Lease, and (F) to exercise, to the extent necessary to enable it to exercise its rights under Section 8.03(e) hereof, the rights of the "Lessor" under Section 23 of the Lease.

(ii) whether or not a Lease Event of Default or an Indenture Event of Default shall occur and be continuing, the Owner Trustee and the Loan Trustee shall each retain the right, separately but not to the exclusion of the other, to receive from the Company all notices, certificates, reports, filings, Opinions of Counsel, copies of all documents and all information which the Company is permitted or required to give or furnish to the "Lessor" or to the "Owner Trustee" pursuant to any Operative Document, to consent to additions to the list of countries on Exhibit B to the Lease, to give any notice of default under Section 14 of the Lease and to declare the Lease in default in respect thereof, to cause the Company to take any action and execute and deliver such documents, financial information and assurances as the "Lessor" may from time to time reasonably request pursuant to Section 17 of the Lease and to exercise inspection rights pursuant to Section 12 of the Lease;

(iii) so long as no Indenture Event of Default shall have occurred and be continuing (but subject to the provisions of Section 11.06), the Owner Trustee shall retain the right, to the exclusion of the Loan Trustee, to exercise all other rights of the "Lessor" under the Lease including, without limitation, (1) the right to approve as satisfactory any accountants, engineers or counsel to render services for or issue opinions to the Owner Trustee pursuant to express provisions of the Operative Documents and (2) the right to consent to reregistration of the Aircraft pursuant to Section 9(m) of the Participation Agreement; provided that the foregoing shall not limit (A) any rights sep-

arately and expressly granted the Loan Trustee or any Loan Participant under the Operative Documents or (B) the right of the Loan Trustee to receive any funds to be delivered to the "Lessor" under the Lease (except funds which constitute or are delivered with respect to Excepted Property) and under the Purchase Agreement;

(c) the leasehold interest granted to the Company under the Lease shall not be subject to the security interest granted by this Agreement, and nothing in this Agreement shall affect the rights of the Company under the Lease so long as no Lease Event of Default has occurred and is continuing; and

(d) as between the Owner Trustee and the Loan Trustee, nothing contained in this Granting Clause shall prevent the Owner Trustee or the Owner Participant from seeking specific performance of the covenants of the Company under the Lease relating to the protection, insurance, maintenance, possession and use of the Aircraft, provided such action shall not interfere with the exercise by the Loan Trustee of its remedies under Article 8 hereof or Section 15 of the Lease, or from maintaining separate insurance with respect to the Aircraft to the extent permitted by Section 11 of the Lease.

#### HABENDUM CLAUSE

To HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, its successors and assigns, in trust for the benefit and security of the Loan Participants from time to time, without any priority of any one Equipment Note over any other, and for the uses and purposes and subject to the terms and provisions set forth in this Agreement.

The Owner Trustee agrees that this Agreement is intended to and shall create and grant to the Loan Trustee a security interest in the Aircraft, which security interest shall attach on and as of the Delivery Date. The security interest created by this Agreement and granted to the Loan Trustee hereunder in the Indenture Estate other than in the Aircraft shall attach upon the delivery hereof.

It is expressly agreed that, anything herein contained to the contrary notwithstanding, the Owner Trustee shall remain liable under each of the Operative Documents to

which it is a party to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Loan Trustee and the Loan Participants shall have no obligation or liability under any of the Operative Documents to which the Owner Trustee is a party by reason of or arising out of the assignment hereunder, nor shall the Loan Trustee (except as to the Loan Trustee, if the Loan Trustee shall have become the "Lessor" under the Lease) be required or obligated in any manner to perform or fulfill any obligations of the Owner Trustee under or pursuant to any of the Operative Documents to which the Owner Trustee is a party or, except as herein or therein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Subject to the terms and conditions hereof, the Owner Trustee does hereby constitute the Loan Trustee the true and lawful attorney of the Owner Trustee, irrevocably with full power (in the name of the Owner Trustee or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys due and to become due to the Owner Trustee (other than Excepted Property) under or arising out of the Lease (subject to the provisions of Section 11.06(b)(1)), the Purchase Agreement and the Purchase Agreement Assignment, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Loan Trustee may deem to be necessary or advisable in the premises. The Owner Trustee has directed the Company to make all payments of Rent (other than Excepted Property) payable to the Owner Trustee by the Company and all other amounts which are required to be paid to or deposited with the Owner Trustee pursuant to the Lease directly to the Loan Trustee at such address as the Loan Trustee shall specify, for application as provided in this Agreement. The Owner Trustee agrees that promptly on receipt thereof, it will transfer to the Loan Trustee any and all moneys from time to time received by it constituting part of the Indenture Estate, for distribution by the Loan Trustee pursuant to this Agreement, except that the Owner Trustee shall accept for distribution pursuant to the Trust Agreement any amounts distributed to it by the Loan Trustee as expressly provided in this Agreement and any Excepted Property.

The Owner Trustee agrees that at any time and from time to time, upon the written request of the Loan Trustee, the Owner Trustee will promptly and duly execute and deliver or cause to be duly executed and delivered to the Loan Trustee any and all such further instruments and documents as the Loan Trustee may reasonably deem desirable in obtaining the full benefits of the mortgage and security interest granted hereby and of the rights and powers herein granted.

The Owner Trustee does hereby warrant and represent that it has not mortgaged, assigned or pledged, and hereby covenants that it will not mortgage, assign or pledge, so long as the Lien of this Agreement shall or is intended to remain in effect, any of its right, title or interest subject to the mortgage and security interest hereby created, to anyone other than the Loan Trustee, and that it will not (other than in respect of Excepted Property), except as provided in or permitted by this Agreement, accept any payment from the Company, enter into an agreement amending or supplementing any of the Operative Documents to which it is a party, execute any waiver or modification of, or consent under the terms of any of the Operative Documents to which it is a party, settle or compromise any claim against the Company arising under any of the Operative Documents, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any of the Operative Documents to which it is a party to arbitration thereunder.

IT IS HEREBY COVENANTED AND AGREED by and among the parties hereto as follows:

#### ARTICLE 1

##### DEFINITIONS

Section 1.01. Definitions. (a) For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article 1 have the meanings assigned to them in this Article 1, and include the plural as well as the singular;

(2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(3) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and

(4) all references in this Agreement to Articles, Sections and Exhibits refer to Articles, Sections and Exhibits of this Agreement.

(b) For all purposes of this Agreement, the following capitalized terms have the following respective meanings:

"Affiliate" has the meaning specified therefor in the Lease.

"Agent" means any Paying Agent or Registrar.

"Aircraft" has the meaning specified therefor in the Lease.

"Airframe" has the meaning specified therefor in the Lease.

"Bank Equipment Note" means any Equipment Note issued hereunder in substantially the form of Exhibit A-1 hereto as such form may be varied pursuant to the terms hereof, and includes any such Equipment Note issued hereunder in exchange for or replacement of any thereof or upon a reissuance after an assumption by the Company in accordance with Section 7.03.

"Bank Lender" means (i) the Initial Bank Lender so long as a Bank Equipment Note is registered in its name in the Register, and (ii) each other Person in whose name a Bank Equipment Note is registered in the Register.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, 11 U.S.C. Section Section 101-1330, as amended.

"Basic Rent" has the meaning specified therefor in the Lease.

"Business Day" has the meaning specified therefor in the Lease.

"Company" means American Airlines, Inc., a Delaware corporation, and, subject to the provisions hereof and of the Participation Agreement, its permitted successors and assigns.

"Company Request" means a written request of the Company executed on its behalf by a Responsible Company Officer.

"Co-Registrar" has the meaning specified therefor in Section 2.03.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction, or other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Defaulted Installment" has the meaning specified therefor in Section 2.08.

"Defaulted Interest" has the meaning specified therefor in Section 2.08.

"Delivery Date" has the meaning specified therefor in the Lease.

"Engine" has the meaning specified therefor in the Lease.

"Equipment Note" means any Bank Equipment Note or Pass Through Equipment Note.

"Event of Loss" has the meaning specified therefor in the Lease.

"Excepted Property" means (i) indemnity or other payments paid or payable by the Company to or in respect of the Owner Participant or the Owner Trustee in its individual capacity or any member or their respective Related Indemnitee Groups pursuant to the Participation Agreement or any corresponding payment of Supplemental Rent under the Lease, (ii) proceeds of public liability insurance (or government indemnities in lieu thereof) in respect of the Aircraft paid or payable as a result of insurance claims or amounts in respect of such indemnities paid or payable to or for the benefit of, or losses suffered by, the Owner Trustee or the Loan Trustee in their respective individual capacities or the Owner Participant or by any affiliated or otherwise

related additional insureds or loss payees (collectively, the "Related Insured Parties"), (iii) proceeds of insurance maintained in conformity with Section 11(d) of the Lease by the Owner Participant or any Affiliate thereof (whether directly or through the Owner Trustee), (iv) payments of Supplemental Rent or other payments by the Company payable under the Tax Indemnity Agreement, (v) payments of Supplemental Rent by the Lessee with respect to the foregoing, (vi) fees payable to the Owner Trustee pursuant to Section 7(b) of the Participation Agreement, (vii) any right to restitution from the Company, as lessee under the Lease, in respect of any determination of the invalidity of any Excepted Property, (viii) the respective rights of the Owner Trustee or the Loan Trustee in their respective individual capacities or the Owner Participant (or of any member of their Related Indemnitee Groups or any Related Insured Party) to the proceeds of the foregoing and (ix) any right to demand, collect or otherwise receive and enforce the payment of any amount described in clauses (i) through (viii) above and any and all interest payable in respect thereof. Excepted Property shall not include amounts paid by the Lessee to the Owner Trustee pursuant to Sections 7(b) and 7(c) of the Participation Agreement and payable by the Owner Trustee to the Loan Participants pursuant to Section 3.06(b).

"Federal Aviation Act" has the meaning specified therefor in the Lease.

"Indenture Default" means any event that is, or after notice or passage of time, or both, would be, an Indenture Event of Default.

"Indenture Estate" has the meaning specified therefor in the Granting Clause hereof.

"Indenture Event of Default" has the meaning specified therefor in Article 8.

"Independent" when used with respect to an engineer, appraiser or other expert, means an engineer, appraiser or other expert who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company or any Affiliate of the Company, and (iii) is not connected with the Company or any Affiliate of the Company as an officer, employee, promoter, trustee, partner, director or Person performing similar functions.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by the Company on behalf of the Owner Trustee; provided that if the Loan Trustee shall not have received written notice of such an appointment at least 10 days prior to the relevant Redemption Date or Lease Termination Date or if a Lease Event of Default shall have occurred and be continuing, "Independent Investment Banker" shall mean such an institution appointed by the Loan Trustee, with the approval of the Owner Participant (which approval shall not be unreasonably withheld or delayed).

"Initial Bank Lender" means The Mitsubishi Trust and Banking Corporation, New York Branch.

"Installment Equipment Note" shall mean a Pass Through Equipment Note identified in Exhibit B-1 hereto.

"Installment Payment Amount" means, with respect to each Installment Equipment Note and Bank Equipment Note, the amount of the installment payment of principal due and payable on each Installment Payment Date other than the Maturity Date thereof, which amount shall be equal to the product of the original principal amount of such Installment Equipment Note or Bank Equipment Note, as the case may be, and the Installment Payment Percentage for such Installment Payment Date, as set forth in Exhibit B-1 hereto.

"Installment Payment Date" means each date on which an installment payment of principal is due and payable on any Installment Equipment Note or Bank Equipment Note, as set forth in Exhibit B-1 hereto.

"Installment Payment Percentage" means, with respect to each Installment Payment Date, the percentage set forth opposite such Installment Payment Date in Exhibit B-1 hereto.

"Interest Payment Date" means each January 2 and July 2, commencing July 2, 1995.

"Lease" means the Lease Agreement dated as of June 15, 1992 (AA 1992 AF-1) (redesignated AA 1995 PTC Series AA), which Lease, together with Lease Supplement No. 1 thereto dated June 17, 1992, was recorded by the Federal Aviation Administration on June 18, 1992 and assigned Conveyance No. WW41683, as amended as of the date hereof, between the Owner Trustee, as lessor, and the Company, as lessee, as such Lease Agreement may from time to

time be supplemented, amended or modified in accordance with the terms thereof and this Agreement. The term "Lease" shall also include each Lease Supplement entered into pursuant to the terms of the Lease and the Rent Schedule.

"Lease Event of Default" has the meaning specified for the term "Event of Default" in the Lease.

"Lease Loss Payment Date" has the meaning specified for the term "Loss Payment Date" in the Lease.

"Lease Supplement" has the meaning specified therefor in the Lease.

"Lease Termination Date" has the meaning specified for the term "Termination Date" in the Lease.

"Lessor's Liens" has the meaning specified therefor in the Lease.

"Lien" means any mortgage, pledge, Lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Loan Participant" means and includes each registered holder from time to time of an Equipment Note issued hereunder, including each Bank Lender and, so long as it holds any Equipment Notes issued hereunder, the Pass Through Trustee under the Pass Through Trust Agreement.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association, and each other Person which may from time to time be acting as Loan Trustee in accordance with the provisions of this Agreement.

"Make-Whole Amount" means, with respect to the principal amount of any Pass Through Equipment Note to be redeemed or purchased on any Redemption Date, the amount which the Independent Investment Banker determines as of the fourth Business Day prior to such Redemption Date to equal the excess, if any, of (i) the sum of the present values of all the remaining scheduled payments of principal and interest from the Redemption Date to maturity of such Pass Through Equipment Note, discounted semi-annually on each Interest Payment Date at a rate equal to the Treasury Rate, based on a 360-day year of twelve 30-day months, over (ii) the aggregate unpaid principal amount of such Pass Through Equipment Note plus accrued but unpaid interest on such Pass Through Equipment Note (but not any accrued interest in

default). Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Make-Whole Amount shall be payable solely with respect to the Pass Through Equipment Notes, and Make-Whole Amount shall not be calculated or payable with respect to the Bank Equipment Notes.

"Maturity" means, with respect to the Equipment Notes, all of the Equipment Notes maturing on a particular Maturity Date.

"Maturity Date" means each of the dates specified in Exhibit B hereto as a maturity date of Equipment Notes.

"Officers' Certificate" means a certificate signed, in the case of the Company, by (i) the Chairman of the Board of Directors, the President, any Executive Vice President, or any Senior Vice President of the Company, signing alone, or (ii) any Vice President signing together with the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company or, in the case of the Owner Trustee, a Responsible Officer of the Owner Trustee.

"Operative Documents" means this Agreement, the Participation Agreement, the Lease (including the Rent Schedule), each Lease Supplement, the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment), the Purchase Agreement Assignment, the Equipment Notes, the Trust Agreement, the Trust Agreement and Indenture Supplement and the Refunding Agreement.

"Opinion of Counsel" means a written opinion of legal counsel, who in the case of counsel for the Company may be (i) the senior-ranking attorney employed by the Company, (ii) Debevoise & Plimpton or (iii) other counsel designated by the Company and who shall be satisfactory to the Loan Trustee or, in the case of legal counsel for the Owner Trustee, may be (x) Potter Anderson & Corroon or (y) other counsel designated by the Owner Trustee and who shall be satisfactory to the Loan Trustee.

"Outstanding" when used with respect to Equipment Notes, means, as of the date of determination, all Equipment Notes theretofore executed and delivered under this Agreement other than:

(i) Equipment Notes theretofore cancelled by the Loan Trustee or delivered to the Loan Trustee for cancellation pursuant to Section 2.07 or otherwise;

(ii) Equipment Notes for whose payment (but only to the extent of such payment) or redemption money in the necessary amount has been theretofore deposited with the Loan Trustee in trust for the Loan Participants with respect to such Equipment Notes; provided that if such Equipment Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Agreement or provision therefor satisfactory to the Loan Trustee has been made; and

(iii) Equipment Notes in exchange for or in lieu of which other Equipment Notes have been executed and delivered pursuant to this Agreement;

provided, however, that in determining whether the Loan Participants of the requisite aggregate principal amount of Equipment Notes Outstanding have given any request, demand, authorization, declaration, direction, notice, consent or waiver hereunder, Equipment Notes owned by or pledged to the Company or any Affiliate of the Company or the Owner Trustee or the Owner Participant or any Affiliate thereof shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Loan Trustee shall be protected in relying upon any such request, demand, authorization, declaration, direction, notice, consent or waiver, only Equipment Notes which the Loan Trustee knows to be so owned or so pledged shall be disregarded, and except if all Equipment Notes are so owned or pledged. Equipment Notes owned by the Company, or any Affiliate of the Company, the Owner Trustee or the Owner Participant or any Affiliate thereof which have been pledged in good faith may be regarded as Outstanding if the Company, or Owner Trustee or the Owner Participant, as the case may be, establishes to the satisfaction of the Loan Trustee the pledgee's right to act with respect to such Equipment Notes and that the pledgee is not the Company, or any Affiliate of the Company, the Owner Trustee or the Owner Participant or any Affiliate thereof.

"Owner Participant" means AT&T Credit Holdings, Inc., a Delaware corporation, and any other Person or Persons to which the Owner Participant transfers its right, title and interest in and to the Trust Agreement, the Trust Estate and the Participation Agreement, in accordance with Article VIII of the Trust Agreement and Section 16(c) of the

Participation Agreement, and their respective permitted successors and assigns.

"Owner Participant Guarantor" means any provider of any Owner Participant Guaranty.

"Owner Participant Guaranty" means any guaranty delivered pursuant to Section 16(c)(ii) of the Participation Agreement.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity, but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Operative Documents.

"Participation Agreement" has the meaning specified therefor in the Lease.

"Parts" has the meaning specified therefor in the Lease.

"Pass Through Certificate" means any Pass Through Certificate issued pursuant to the Pass Through Trust Agreement.

"Pass Through Equipment Note" means any Equipment Note issued hereunder substantially in the form of Exhibit A hereto as such form may be varied pursuant to the terms hereof, and includes any such Equipment Note issued hereunder in exchange for or replacement of any thereof or upon a reissuance after an assumption by the Company in accordance with Section 7.03.

"Pass Through Trust" means each Pass Through Trust created pursuant to the Pass Through Trust Agreement and a Pass Through Trust Supplement.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement amended and restated as of February 1, 1992 between the Company and the Pass Through Trustee, together with each separate supplement thereto pursuant to which the Pass Through Trustee holds any Equipment Notes, as the same may from time to time be supplemented and amended.

"Pass Through Trust Supplement" means each supplement to the Pass Through Trust Agreement, dated as of June 15, 1995, each between the Company and the Pass Through

Trustee, pursuant to which the Pass Through Trustee holds any Pass Through Equipment Notes, as each may be amended, supplemented or otherwise modified from time to time.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, in its capacity as trustee under the Pass Through Trust Agreement, and such other person that may from time to time be acting as successor trustee under the Pass Through Trust Agreement.

"Past Due Rate" means, (i) for any Pass Through Equipment Note, the rate of interest borne by such Pass Through Equipment Note and (ii) for any Bank Equipment Note, the lesser of (x) the interest rate borne by such Bank Equipment Note plus 1% and (y) the maximum rate permitted by law.

"Paying Agent" means any person acting as Paying Agent hereunder pursuant to Section 2.03.

"Permitted Investment" means each of (i) direct obligations of the United States of America and agencies thereof; (ii) obligations fully guaranteed by the United States of America; (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated under the laws of the United States of America or any state of the United States of America having combined capital and surplus and retained earnings of at least \$500,000,000 (including the Owner Trustee in its individual capacity or the Loan Trustee in its individual capacity if such conditions are met); (iv) bearer note deposits with, or certificates of deposit issued by, or promissory notes of, any subsidiary incorporated under the laws of Canada (or any province thereof) of any bank, trust company or national banking association described in clause (iii) or (viii); provided, however, that such bearer note deposits, certificates or promissory notes are guaranteed by such bank, trust company or national banking association; (v) commercial paper of companies having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally-recognized rating organization in the United States of America) equal to either of the two highest ratings assigned by such organization and not on such organization's "watch list" for possible downgrading below such rating; (vi) U.S. dollar-denominated certificates of deposit issued by, or time deposits with, the European subsidiaries of (a) any bank,

trust company or national banking association described in clause (iii) or (b) any other bank described in clause (viii); provided, however, that such certificates are guaranteed by such bank, trust company or national banking association; (vii) U.S.-issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by, any bank having combined capital and surplus and retained earnings of at least \$500,000,000 and headquartered in Canada, Japan, the United Kingdom, France, the Federal Republic of Germany, Switzerland or The Netherlands; (viii) U.S. dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earnings of at least \$500,000,000; (ix) Canadian Treasury Bills fully hedged to U.S. dollars; (x) repurchase agreements with any financial institution having combined capital and surplus and retained earnings of at least \$100,000,000 (including the Owner Trustee in its individual capacity or the Loan Trustee in its individual capacity if such conditions are met) collateralized by transfer of possession of any of the obligations described in clauses (i) through (ix) above; or (xi) bonds or other debt instruments of any company, if such bonds or other debt instruments, at the time of their purchase, are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at such time, by any nationally recognized rating organization in the United States of America) and not on such organization's "watch list" for possible downgrading below such rating; provided that no investment shall be included within the definition of the term "Permitted Investment" unless (1) in the case of any investment referred to in clause (iii), (vii) or (viii), the bank, trust company or national banking association issuing such investment shall then have its long-term unsecured debt obligations rated one of the two highest ratings obtainable from either Standard and Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such debt obligations at any time, by any nationally recognized rating organization in the United States) (or, in the case of any foreign bank, the equivalent such rating) and not on such organization's "watch list" for possible downgrading below such rating, (2) in the case of any investment referred to in clause (v), the final maturity of such investment is equal to 180 days or less from the date of purchase thereof, and (3) in the case of any investment referred to in clause (iii), (iv), (vi), (vii), (viii), (x) or (xi) the final maturity or date of return of such investment is equal to one year or less from the date of purchase thereof.

"Permitted Liens" has the meaning specified therefor in the Lease.

"Person" has the meaning specified therefor in the Lease.

"Premium Termination Date" means, for any Pass Through Equipment Note, the date specified in Exhibit B hereto as the premium termination date for such Pass Through Equipment Note.

"Purchase Agreement" has the meaning specified therefor in the Lease.

"Purchase Agreement Assignment" has the meaning specified therefor in the Lease.

"Record Date" for the interest or Installment Payment Amount payable on any Interest Payment Date or Installment Payment Date, as the case may be, means the calendar day (whether or not a Business Day) which is 15 calendar days prior to the related Interest Payment Date or the related Installment Payment Date.

"Redemption Date" means the date on which the Equipment Notes are to be redeemed or purchased in lieu of redemption pursuant to Section 6.01 or Section 6.02.

"Redemption Price" means the price at which the Equipment Notes are to be redeemed or purchased in lieu of redemption, determined as of the applicable Redemption Date, pursuant to Section 6.01 or 6.02, as the case may be.

"Refunding Agreement" has the meaning specified therefor in the Lease.

"Refunding Date" means the date on which the Equipment Notes are issued pursuant to Section 2.10.

"Register" has the meaning specified therefor in Section 2.03.

"Registrar" means any person acting as Registrar hereunder pursuant to Section 2.03.

"Related Indemnatee Groups" has the meaning specified therefor in Section 7(b) of the Participation Agreement.

"Rent" has the meaning specified therefor in the Lease.

"Rent Schedule" has the meaning specified therefor in the Lease.

"Replacement Airframe" has the meaning specified therefor in the Lease.

"Replacement Engine" has the meaning specified therefor in the Lease.

"Responsible Company Officer" has the meaning specified for the term "Responsible Officer" in the Lease.

"Responsible Officer", with respect to the Owner Trustee or the Loan Trustee, means any officer in its respective Corporate Trust Department or any officer customarily performing functions similar to those performed by the persons who at the time shall be such respective officers or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"SEC" means the Securities and Exchange Commission.

"Special Purchase Option Date" has the meaning specified therefor in the Lease.

"Special Purchase Price" has the meaning specified therefor in the Lease.

"Special Record Date" for Defaulted Interest or a Defaulted Installment, as the case may be, shall be the date set by the Loan Trustee in accordance with Section 2.08 of the proposed payment of the Defaulted Interest or Defaulted Installment.

"Special Termination Date" has the meaning specified therefor in the Lease.

"Stipulated Loss Value" has the meaning specified therefor in the Lease.

"Supplemental Rent" has the meaning specified therefor in the Lease.

"Swap Breakage Loss" has the meaning specified therefor in the Refunding Agreement. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Swap Breakage Loss shall be payable solely with respect to the Bank Equipment Notes, and Swap Breakage Loss shall not be calculated or payable with respect to the Pass Through Equipment Notes.

"Tax Indemnity Agreement" has the meaning specified therefor in the Lease.

"Termination Value" has the meaning specified therefor in the Lease.

"Treasury Rate" means, with respect to each Pass Through Equipment Note to be redeemed or purchased, a per annum rate (expressed as a semiannual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield), determined to be the per annum rate equal to the semiannual yield to maturity of United States Treasury securities maturing on the Average Life Date of such Pass Through Equipment Note, as determined by interpolation between the most recent weekly average yields to maturity for two series of United States Treasury securities, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Pass Through Equipment Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Pass Through Equipment Note, in each case as published in the most recent H.15(519) (or, if a weekly average yield to maturity of United States Treasury securities maturing on the Average Life Date of such Pass Through Equipment Note is reported in the most recent H.15(519), as published in H.15(519)). H.15(519) means "Statistical Release H.15(519), Selected Interest Rates," or any successor publication, published by the Board of Governors of the Federal Reserve System. The most recent H.15(519) means the latest H.15(519) which is published prior to the close of business on the fourth Business Day preceding the Redemption Date. For purposes hereof, "Average Life Date" means, with respect to each Pass Through Equipment Note to be redeemed, the date which follows the Redemption Date by a period equal to the Remaining Weighted Average Life of such Pass Through Equipment Note. For purposes hereof, "Remaining Weighted Average Life" means, for any Pass Through Equipment Note, as of any date of determination, the number of days equal to the quotient obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment of principal, including the payment

due on the Maturity Date of such Pass Through Equipment Note by (ii) the number of days from and including the Redemption Date to but excluding the scheduled payment date of such principal payment; by (b) the then unpaid principal amount of such Pass Through Equipment Note.

"Trust Agreement" has the meaning specified therefor in the Lease.

"Trust Agreement and Indenture Supplement" means any supplement to the Trust Agreement and this Agreement in the form of Exhibit C hereto.

"Trust Estate" has the meaning specified therefor in the Trust Agreement.

"Trust Indenture and Security Agreement" or "this Agreement" or "this Indenture" means this Trust Indenture and Security Agreement (AA 1995 PTC Series AA), as the same may from time to time be supplemented, amended or modified.

"Trustee's Liens" has the meaning specified therefor in Section 9.09.

"U.S. Government Obligations" means securities that are direct obligations of the United States of America for the payment of which its full faith and credit is pledged which are not callable or redeemable, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt so long as such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

## ARTICLE 2

### THE EQUIPMENT NOTES

Section 2.1. Equipment Notes; Title, Dating and Terms. (a) The Equipment Notes issued hereunder shall be designated as 1995 Equipment Notes, Series AA. The Pass Through Equipment Notes shall be substantially in the form

set forth in Exhibit A hereto, and the Bank Equipment Notes shall be substantially in the form of Exhibit A-1 hereto. The Equipment Notes shall be dated the date of issuance thereof, shall be issued in the maturities and principal amounts and shall bear interest as specified in Exhibit B hereto. The principal of each Equipment Note, other than the Installment Equipment Notes and Bank Equipment Notes, shall be payable in full on the Maturity Date for such Equipment Note. The principal of each Installment Equipment Note and Bank Equipment Note shall be payable in installments, on each Installment Payment Date and the related Maturity Date, in amounts equal to the relevant Installment Payment Amount for such Installment Payment Date. In the event any amount of interest or Installment Payment amount payable under any Equipment Note is not paid when due, to the extent permitted by applicable law interest shall accrue on such amounts at the Past Due Rate applicable to the Equipment Note for which such amounts are due. Each Equipment Note shall be issued on original issuance to the Pass Through Trustee under the Pass Through Trust Agreement or to the Initial Bank Lender as set forth in Exhibit B-2 hereto.

(b) The Equipment Notes shall be issued in registered form only. The Pass Through Equipment Notes shall be issued in denominations of \$1,000 and integral multiples thereof except that one such Equipment Note of each maturity may be in an amount that is not an integral multiple of \$1,000. The Bank Equipment Notes shall be issued in denominations of not less than \$5,000,000. The Equipment Notes are not redeemable prior to their respective Maturity Dates except as provided in this Agreement.

All computations of interest accruing on any Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months.

The principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes shall be payable in immediately available funds at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for such purpose pursuant to Section 2.03 or as otherwise directed in the manner herein provided.

All payments in respect of the Equipment Notes shall be made in United States dollars.

Section 2.02. Execution and Authentication. (a) Equipment Notes shall be executed on behalf of the Owner Trustee by the manual or facsimile signature of its President, a senior vice president, a vice president, an assistant vice president, its treasurer, its secretary, an assistant secretary, an assistant treasurer or other authorized officer.

(b) If any officer of the Owner Trustee executing the Equipment Notes or attesting to the Owner Trustee's seal no longer holds that office at the time the Equipment Note is executed on behalf of the Owner Trustee, the Equipment Note shall be valid nevertheless.

(c) At any time and from time to time after the execution of the Equipment Notes, the Owner Trustee may deliver such Equipment Notes to the Loan Trustee for authentication and, subject to the provisions of Section 2.10, the Loan Trustee shall authenticate the Equipment Notes by manual signature upon written orders of the Owner Trustee. Equipment Notes shall be authenticated on behalf of the Loan Trustee by any authorized officer or signatory of the Loan Trustee.

(d) An Equipment Note shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Owner Trustee by the manual or facsimile signature of the officer of the Owner Trustee specified in Section 2.02(a) and until authenticated on behalf of the Loan Trustee by the manual signature of the authorized officer or signatory of the Loan Trustee as specified in Section 2.02(c). Such signatures shall be conclusive evidence that such Equipment Note has been duly executed, authenticated and issued under this Agreement.

Section 2.03. Registrar and Paying Agent. The Loan Trustee shall maintain an office or agency where the Equipment Notes may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where (subject to Sections 2.04 and 2.08) the Equipment Notes may be presented for payment or for exchange (the "Paying Agent"). The Registrar shall keep a register (the "Register") with respect to the Equipment Notes and their transfer and exchange and the payment of Installment Payment Amounts thereon, if any. The Loan Trustee may appoint one or more co-registrars (the "Co-Registrars") and one or more additional Paying Agents for the Equipment Notes and the Loan Trustee may terminate the appointment of any Co-Regis-

trar or Paying Agent at any time upon written notice. The term "Registrar" includes any Co-Registrar. The term "Paying Agent" includes any additional Paying Agent.

The Loan Trustee shall initially act as Registrar and Paying Agent.

Section 2.04. Transfer and Exchange. (a) At the option of a Loan Participant, Equipment Notes may be exchanged for an equal aggregate principal amount of other Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferred upon surrender of the Equipment Notes to be exchanged or transferred at the principal corporate trust office of the Loan Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.03. Whenever any Equipment Note or Equipment Notes are so surrendered, the Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver, the replacement Equipment Note or Equipment Notes which the Loan Participant or the transferee, as the case may be, is entitled to receive.

All Equipment Notes issued upon any registration of transfer or exchange of Equipment Notes shall be the valid obligations of the Owner Trustee, evidencing the same obligations, and entitled to the same security and benefits under this Agreement, as the Equipment Notes surrendered upon such registration of transfer or exchange.

Every Equipment Note presented or surrendered for registration of transfer or exchange shall (if so required by the Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Loan Participant thereof or such Loan Participant's attorney duly authorized in writing.

No service charge shall be made to a Loan Participant for any registration of transfer or exchange of Equipment Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Equipment Notes.

The Registrar shall not be required (i) to register the transfer of or to exchange any Equipment Note during a period beginning at the opening of business 15 Business Days before the day of the mailing of a notice of redemption (or purchase in lieu of redemption) of Equipment Notes pursuant to Section 6.01 or 6.02 and ending at the

close of business on the day of such mailing, or (ii) to register the transfer of or to exchange any Equipment Note called for redemption (or purchase in lieu of redemption) pursuant to such Section 6.01 or 6.02.

Notwithstanding anything to the contrary set forth herein, the transfer of any Bank Equipment Note shall not be registered pursuant to this Section 2.04 unless such transfer shall have been effected pursuant to and in accordance with the terms and conditions of Section 10(e) or 14(b) of the Refunding Agreement.

(b) The Equipment Notes may not be purchased by or transferred to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or individual retirement account or employee benefit plan subject to Section 4975 of the Internal Revenue Code, as amended (each an "ERISA Plan") or by any other entity whose assets constitute assets of an ERISA Plan unless one of the Underwriter Exemptions (as defined below) applies to such purchase. The purchase by a Person of any Equipment Note constitutes a representation by such Person to the Company, the Owner Participant, the Owner Trustee and the Loan Trustee that either (i) such Person is not an ERISA Plan and that such Person is not acquiring, and has not acquired, such Equipment Note with assets of an ERISA Plan or (ii) one of the Underwriter Exemptions applies to such purchase. For purposes of this paragraph, "Underwriter Exemption" means any one of the administrative exemptions granted by the United States Department of Labor to J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc (Prohibited Transaction Exemption 90-23, Exemption Application No. D-7989, 55 Fed. Reg. 20,545 (1990), Prohibited Transaction Exemption 90-24 et al., Exemption No. D-8019 et al., 55 Fed. Reg. 20,548 (1990) and Prohibited Transaction Exemption 89-89, Exemption Application No. D-6446, as amended, 55 Fed. Reg. 48,939 (1990), respectively).

(c) The purchase by a Person of any Equipment Note constitutes an agreement by such Person with the Company, the Owner Participant, the Owner Trustee and the Loan Trustee to the terms of, and to be bound by and to observe the provisions applicable to such Person contained in, the Equipment Notes, the Participation Agreement, the Refunding Agreement, the provisions herein and the other documents and agreements referred to therein.

Section 2.05. Loan Participant Lists; Ownership of Equipment Notes.

(a) The Loan Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Loan Participants. If the Loan Trustee is not the Registrar, the Registrar shall furnish (and the Owner Trustee shall cause the Registrar to furnish) to the Loan Trustee semiannually on or before each Interest Payment Date, and at such other times as the Loan Trustee may request in writing, a list, in such form and as of such date as the Loan Trustee may reasonably require, containing all the information in the possession or control of the Registrar as to the names and addresses of Loan Participants.

(b) Ownership of the Equipment Notes shall be proved by the Register kept by the Registrar. Prior to due presentment for registration of transfer of any Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent and the Registrar shall deem and treat the Person in whose name any Equipment Note is registered as the absolute owner of such Equipment Note for the purpose of receiving payment of principal (including, subject to the provisions herein regarding the applicable record dates, Installment Payment Amounts) of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and (subject to the provisions herein regarding the applicable record dates) interest on such Equipment Note and for all other purposes whatsoever, whether or not such Equipment Note is overdue, and none of the Owner Trustee, the Loan Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Equipment Notes. If any Equipment Note shall become mutilated, destroyed, lost or stolen, the Owner Trustee shall, upon the written request of the related Loan Participant, issue and execute, and the Loan Trustee shall authenticate and deliver, in replacement thereof, a new Equipment Note of the same type, having the same Maturity Date, payable to the same Loan Participant in the same principal amount and dated the same date as the Equipment Note so mutilated, destroyed, lost or stolen. If the Equipment Note being replaced has become mutilated, such Equipment Note shall be surrendered to the Loan Trustee. If the Equipment Note being replaced has been destroyed, lost or stolen, the related Loan Participant shall furnish to the Owner Trustee and the Loan Trustee such security or indemnity as may be required by each of them to save the Owner Trustee and the Loan Trustee harmless (it being understood

that an unsecured undertaking to indemnify each such party delivered in writing and in a form reasonably satisfactory to the Owner Trustee and the Loan Trustee by the Initial Bank Lender shall satisfy such requirement) and evidence satisfactory to the Owner Trustee and the Loan Trustee of the destruction, loss or theft of such Equipment Note and of the ownership thereof.

Section 2.07. Cancellation. The Registrar and any Paying Agent shall forward to the Loan Trustee all Equipment Notes surrendered to them for replacement, redemption, registration of transfer, exchange or payment. The Loan Trustee shall cancel all Equipment Notes surrendered for replacement, redemption, registration or transfer, exchange, payment or cancellation and shall destroy cancelled Equipment Notes.

Section 2.08. Payment on Equipment Notes; Defaulted Interest. (a) The Loan Trustee will arrange directly with any Paying Agent for the payment, or the Loan Trustee will make payment, all pursuant to Section 2.09, of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on or in respect of the Equipment Notes. Payments on the Equipment Notes in respect of interest and Installment Payment Amounts, if any, payable on an Installment Payment Date, shall be paid in immediately available funds in U.S. currency on each Interest Payment Date or Installment Payment Date, as the case may be, to the Loan Participant in whose name such Equipment Note is registered on the Register at the close of business on the relevant Record Date and, in the case of the Bank Equipment Notes, in such manner (by wire transfer of immediately available funds if not otherwise specified) as specified in Schedule I to the Refunding Agreement or as each Bank Lender shall have otherwise designated in writing to the Loan Trustee on or prior to such Record Date; provided, however, that, in the case of Pass Through Equipment Notes, the Paying Agent will, at the request of the Loan Trustee, and may, at its option, pay such interest or Installment Payment Amounts by check mailed to such Loan Participant's address as it appears on the Register. The Paying Agent shall cause each payment to the Bank Lenders to be made by 4:00 pm on the day the Paying Agent receives such payment, provided such payment is received in immediately available funds by the Paying Agent by 1:00 pm on such day. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and time specified, Paying Agent, in its individual capacity

and not as Paying Agent, hereby agrees to compensate any Bank Lender for the loss of use of such funds.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to a Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name such Bank Equipment Note is registered in the Register hereunder, under such Bank Equipment Note, under the Participation Agreement and under the Refunding Agreement, such Bank Lender shall surrender such Bank Equipment Note to the Loan Trustee for cancellation.

A Loan Participant shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal amount of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on all Equipment Notes held by such Loan Participant and all other sums due and payable to such Loan Participant hereunder, under such Equipment Notes, under the Participation Agreement and under the Refunding Agreement shall have been paid in full.

(b) Any Installment Payment Amount payable on an Installment Payment Date, or any interest payable on an Interest Payment Date on any Equipment Note which is not punctually paid on, or within 5 days after, such Installment Payment Date or such Interest Payment Date, as the case may be (herein called, respectively, a "Defaulted Installment" and "Defaulted Interest"), shall forthwith cease to be payable to the Loan Participant on the relevant Record Date by virtue of its having been such Loan Participant; and such Defaulted Installment or Defaulted Interest may be paid by the Loan Trustee, at its election in each case, as provided, in the case of the Pass Through Equipment Notes, in clause (1) or (2) below and, in the case of Bank Equipment Notes, in clause (3) below:

(1) The Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Person in whose name a Pass Through Equipment Note is

registered at the close of business on a special record date for the payment of such Defaulted Installment or Defaulted Interest, which shall be fixed in the following manner. The Loan Trustee shall notify the Paying Agent in writing of the amount of the Defaulted Installment or Defaulted Interest proposed to be paid on each such Pass Through Equipment Note and the date of the proposed payment, and at the same time the Loan Trustee shall make arrangements to set aside an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Installment or Defaulted Interest, prior to the date of the proposed payment, to be held in trust for the benefit of the Persons entitled to such Defaulted Installment or Defaulted Interest as this clause provides and shall fix a special record date for the payment of such Defaulted Installment or Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment. The Loan Trustee shall promptly notify the Owner Trustee and the Registrar of such special record date and shall cause notice of the proposed payment of such Defaulted Installment or Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Loan Participant entitled thereto at such Loan Participant's address as it appears in the Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Installment or Defaulted Interest and the special record date therefor having been mailed, as aforesaid, such Defaulted Installment or Defaulted Interest shall be paid to the Persons in whose names the applicable Equipment Notes are registered on such special record date and shall no longer be payable pursuant to the following clause (2).

(2) The Loan Trustee may make, or cause to be made, payment of any Defaulted Installment or Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which Pass Through Equipment Notes may be listed, and upon such notice as may be required by such exchange, if such payment shall be deemed practicable by the Loan Trustee.

(3) In the case of a Bank Equipment Note, the Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Bank Lender in

whose name such Bank Equipment Note is registered in the Register at the time of such payment.

(c) The Loan Trustee shall require each Paying Agent to agree in writing that such Paying Agent will hold in trust, for the benefit of the Loan Participants entitled thereto and the Loan Trustee, all money held by the Paying Agent for the payment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, the Equipment Notes, or any other amount payable to the Loan Participants hereunder or under any other Operative Document, and shall give to the Loan Trustee notice of any default by any obligor upon the Equipment Notes in the making of any such payment upon the Equipment Notes. The Loan Trustee at any time may require a Paying Agent to repay to the Loan Trustee all money held by it. Upon so doing the Paying Agent shall have no further liability for the money so paid.

Section 2.09. Payment from Indenture Estate Only; Non-Recourse Obligations. Notwithstanding any other provision herein or in the Equipment Notes to the contrary, all amounts payable by the Loan Trustee and the Owner Trustee under the Equipment Notes and this Agreement shall be made only from the income and proceeds of the Indenture Estate and each Loan Participant, by its acceptance of such Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for the payment of such amounts, to the extent available for distribution to it as herein provided, and (b) none of the Owner Trustee, the Owner Participant or the Loan Trustee is or shall be personally liable to any Loan Participant for any amount payable under such Equipment Note or this Agreement or, except as expressly provided in this Agreement in the case of the Owner Trustee and the Loan Trustee, for any liability thereunder or hereunder.

Wilmington Trust Company is entering into this Agreement solely as Owner Trustee under the Trust Agreement and not in its individual capacity, and in no case whatsoever shall Wilmington Trust Company (or any entity acting as successor trustee under the Trust Agreement) be personally liable for, or for any loss in respect of, any statements, representations, warranties, agreements or obligations hereunder or thereunder; provided that Wilmington Trust Company shall be liable hereunder in its individual capacity, (i) for the performance of its agreements undertaken in its individual capacity under Section 8 of the Participation Agreement, (ii) for the performance of its

agreements undertaken in its individual capacity under Section 9 of the Refunding Agreement and (iii) for its own willful misconduct or gross negligence. If a successor Owner Trustee is appointed in accordance with the terms of the Trust Agreement and the Participation Agreement, such successor Owner Trustee shall, without any further act, succeed to all of the rights, duties, immunities and obligations hereunder, and its predecessor Owner Trustee and Wilmington Trust Company shall be released from all further duties and obligations hereunder, without prejudice to any claims against Wilmington Trust Company or such predecessor Owner Trustee for any default by Wilmington Trust Company or such predecessor Owner Trustee, respectively, in the performance of its obligations hereunder prior to such appointment.

Section 2.10. Execution and Delivery of Equipment Notes upon Original Issuance. The Owner Trustee shall issue and execute, and the Loan Trustee shall authenticate and deliver, the Equipment Notes for original issuance only upon Company Request and upon payment by the Loan Participants pursuant to the Refunding Agreement of an aggregate amount equal to the aggregate original principal amount of the Equipment Notes.

### ARTICLE 3

#### RECEIPT, DISTRIBUTION AND APPLICATION OF FUNDS IN THE INDENTURE ESTATE

Section 3.01. Payment upon Issuance of Equipment Notes. On the Refunding Date, the Owner Trustee shall apply, or cause to be applied, the proceeds of the sale of the Equipment Notes to the redemption of the certificates issued pursuant to the Original Indenture.

Section 3.02. Payment in Case of Termination of Lease or Redemption of Equipment Notes. In the event the Equipment Notes are redeemed (or purchased in lieu of redemption) in accordance with the provisions of Section 6.01 or 6.02, the Loan Trustee will apply on the Redemption Date, or in the event of amounts distributable to the Owner Trustee in accordance with clause fourth below, on the Lease Termination Date, any amounts then held by it in the Indenture Estate and received by it from or on behalf of the Company or the Owner Trustee (including, without limitation, Swap Breakage Loss, if any, payable in respect of the Bank Equipment Notes, whether or not constituting

part of the applicable Redemption Price), in the following order of priority:

first, so much thereof as was received by the Loan Trustee with respect to the amounts due to it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much thereof as shall be required to pay the Redemption Price on the Outstanding Equipment Notes pursuant to Section 6.01 or 6.02, as the case may be, on the Redemption Date shall be applied to the redemption (or purchase in lieu of redemption) of the Equipment Notes on the Redemption Date;

third, so much thereof as shall be required to pay the amounts described in clauses "fifth" and "eighth" of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, thereof remaining after amounts specified in clauses first, second, and third have been applied or set aside for application shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Trust Agreement.

Section 3.03. Application of Rent When No Indenture Event of Default Is Continuing. Each amount of Rent received by the Loan Trustee from the Owner Trustee or the Company, together with any amount received by the Loan Trustee pursuant to Section 8.03(e)(i) hereof, shall, except as otherwise provided in Section 3.02, 3.04, 3.05 or 3.06, be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay in full the principal of, and interest then due on all Outstanding Equipment Notes shall be distributed to the Persons entitled thereto;

second, so much of such aggregate amount remaining as shall be required to pay any amount due the Loan Trustee pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

third, so much thereof as shall be required to pay the amounts described in clauses "fifth" and "eighth "

of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee for distribution in accordance with the terms of the Trust Agreement.

Section 3.04. Application of Certain Payments in Case of Requisition or Event of Loss. Except as otherwise provided in Section 3.05, any amounts received directly or through the Company from any governmental authority or other Person pursuant to Section 10 of Lease with respect to the Airframe or the Airframe and the Engines or engines then installed on the Airframe as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to said Section 10, and any amounts of insurance proceeds for damage to the Indenture Estate received directly or through the Company from any insurer pursuant to Section 11 of the Lease with respect thereto as the result of an Event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to said Section 11, shall, except as otherwise provided in the next sentence, be applied in reduction of the Company's obligations to pay Stipulated Loss Value as provided in the Lease and the remainder, if any, shall, except as provided in the next sentence, be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Lease. Notwithstanding Section 3.05 hereof, any amounts held by the Loan Trustee, including, without limitation, pursuant to Section 10 or 11 of the Lease, which are payable to the Lessee pursuant to the terms of the Lease or held by the Loan Trustee in accordance with Section 25 of the Lease shall be (i) so paid to the Lessee or (ii) held by the Loan Trustee as security for the obligations of the Lessee, in each case in accordance with the applicable provisions of the Lease.

Section 3.05. Payments During Continuance of Indenture Event of Default. Except as otherwise provided in Section 3.02 or the last sentence of Section 3.04, all payments (except Excepted Property) received and amounts held or realized by the Loan Trustee after an Indenture Event of Default shall have occurred and be continuing (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Loan Trustee as part of the Indenture Estate while such Indenture Event of Default shall be continuing, shall be

distributed by the Loan Trustee in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expense is liquidated) in using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements of and to the Indenture Estate and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Owner Trustee and, to the extent permitted under the Lease, the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

third, so much of such payments or amounts remaining as shall be required to pay the principal of and accrued interest on all Equipment Notes Outstanding payable to the Loan Participants then due and payable, whether by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal and interest; and in case the aggregate amount remaining shall be insufficient to pay in full the whole amount so due and unpaid, then such amount shall be applied to the payment of such principal and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts;

fourth, so much of such payments or amounts remaining as shall be required to pay the Make-Whole Amount, if any, and the Swap Breakage Loss, if any, as the case may be, then due and payable to any Loan Participant pursuant to Section 6.01 or 6.02 hereof but

unpaid shall be applied ratably to the payment of such Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be (but only to the extent that such Make-Whole Amount or Swap Breakage Loss is payable or arises in connection with the occurrence of an Indenture Event of Default that is not a Lease Event of Default); and, in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant bears to the aggregate amount due all such Loan Participants under this clause fourth;

fifth, so much of such payments or amounts remaining as shall be required to pay to each Loan Participant all other amounts payable pursuant to the indemnification provisions of Section 7(b) or 7(c) of the Participation Agreement, pursuant to Section 14 of the Refunding Agreement or pursuant to any other provision of this Indenture or any Operative Document (excluding, in any case, any amounts payable pursuant to clause "second" or "third" of this Section 3.05 or amounts constituting a Make-Whole Amount or Swap Breakage Loss) to such Loan Participant or to its predecessors and remaining unpaid shall be distributed to such Loan Participant for distribution to itself and such predecessors, as their interests may appear, and if the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant under this clause "fifth" bears to the aggregate amount due all such Loan Participants under this clause "fifth";

sixth, so much of such payments or amounts remaining thereafter shall be held by the Loan Trustee as collateral security for the obligations secured hereby until such time as no Indenture Event of Default shall be continuing hereunder or the Equipment Notes have been accelerated and all amounts due thereon (other than any Swap Breakage Loss) have been paid, at which time so much of such payments or amounts remaining as shall be required to pay an amount which, when aggregated with any prior distributions pursuant to this clause " sixth", shall be equal to the sum of

(a) the excess, if any, of (i) the Termination Value for the Aircraft, computed as of the date of distribution pursuant to this clause "sixth" (the "Distribution Date"), over (ii) the aggregate principal amount of the Outstanding Equipment Notes as of the Distribution Date, plus (b) all other Supplemental Rent then due and owing to the Owner Trustee or the Owner Participant shall be distributed to the Owner Trustee to be held or distributed in accordance with the provisions of the Trust Agreement; provided that at such time as one or more Lease Events of Default shall have occurred and any such Lease Event of Default shall have continued for a period of 180 days during which the Equipment Notes could, but shall not, have been accelerated pursuant to Section 8.02, the amounts which would have been payable to the Owner Trustee pursuant to this clause "sixth" but for the occurrence of such Lease Event of Default shall be so paid to the Owner Trustee;

seventh, so much of such payments or amounts remaining as shall be required to pay the Swap Breakage Loss, if any, then due and payable to the Bank Lenders (to the extent that such Swap Breakage Loss is payable or arises in connection with an Indenture Event of Default that is also a Lease Event of Default) shall be applied to the payment of such Swap Breakage Loss, if any; and in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably without priority of any Bank Lender over any other Bank Lender, in the proportion that the aggregate amount due to each such Bank Lender bears to the aggregate amount due all such Bank Lenders under this clause "seventh"; and

eighth, so much of such payments or amounts remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the provisions of the Trust Agreement, so long as no Indenture Event of Default exists other than by virtue of such Lease Event of Default.

Section 3.06. Certain Payments. (a) Except as otherwise provided in this Agreement, any payment received by the Loan Trustee for which provision as to the application thereof is made in the Lease or the Participation Agreement shall be distributed to the Person for whose benefit such payments were made. Notwithstanding anything in this Article 3 or elsewhere in this Agreement to the con-

trary, the Loan Trustee shall be obligated to distribute and shall distribute to the Owner Participant or the Owner Trustee, as the case may be, any Excepted Property received by the Loan Trustee promptly upon receipt thereof by the Loan Trustee.

(b) Except as otherwise provided in Section 3.05, the Loan Trustee will distribute promptly upon receipt any indemnity or other payment received by it from the Owner Trustee or the Company in respect of the Loan Trustee in its individual capacity or any Loan Participant pursuant to Section 7(b) or 7(c) of the Participation Agreement or, in the case of any Bank Lender, Section 14(a) of the Refunding Agreement directly to the Person entitled thereto as such Person's interest may appear.

Section 3.07. Payments for Which No Application Is Otherwise Provided. Except as otherwise provided in Section 3.05:

(a) any payment received by the Loan Trustee for which no provision as to the application thereof is made elsewhere in this Agreement, and

(b) any payment received and amounts realized by the Loan Trustee with respect to the Aircraft to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this Agreement or for the defeasance of the Equipment Notes shall have been satisfied, as well as any other amounts remaining as part of the Indenture Estate after such satisfaction shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts; and

second, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Trust Agreement, the Lease or the Participation Agreement.

ARTICLE 4  
COVENANTS OF OWNER TRUSTEE

Section 4.01. Covenants of Owner Trustee. The Owner Trustee hereby covenants and agrees that:

(a) it will, subject always to Section 2.09, pay or cause to be paid when due all amounts of principal and interest due under the Equipment Notes (in any case, without duplication of amounts theretofore paid to the Loan Trustee in respect thereof), and if received from the Company as Supplemental Rent, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and any other amount due under the Equipment Notes;

(b) it will not suffer to exist any Lessor's Lien attributable to it in its individual capacity with respect to the Indenture Estate;

(c) in the event that any Responsible Officer of the Owner Trustee shall have actual knowledge of an Indenture Event of Default or Indenture Default or an Event of Loss, the Owner Trustee will give prompt written notice thereof to the Loan Trustee, the Owner Participant and the Company;

(d) it will not, except as contemplated by the Operative Documents or with the consent of the Loan Trustee, contract for, create, incur, assume or suffer to exist any Debt, and will not guarantee (directly or indirectly or by an instrument having the effect of assuming another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the Debt of any other Person; and

(e) it will not, in its capacity as Owner Trustee, engage in any business or other activity, except as contemplated hereby or by the other Operative Documents.

## ARTICLE 5

DISPOSITION, SUBSTITUTION AND RELEASE  
OF PROPERTY INCLUDED IN THE INDENTURE ESTATE DURING  
CONTINUATION OF LEASE

Section 5.01. Disposition, Substitution and Release of Property Included in the Indenture Estate During Continuation of Lease. So long as the Lease is in effect:

(a) Parts. Any Parts and alterations, improvements and modifications in and additions to the Aircraft shall, to the extent required or specified by the Lease, become subject to the Lien of this Agreement and be leased to the Company under the Lease; provided that, to the extent permitted by and as provided in the Lease, the Company shall have the right, at any time and from time to time, without any release from or consent by the Owner Trustee or the Loan Trustee, to remove, replace and pool Parts and to make alterations, improvements and modifications in, and additions to, the Aircraft. The Loan Trustee agrees that, to the extent permitted by and as provided in the Lease, title to any such removed or replaced Part shall vest in the Company. The Loan Trustee shall from time to time execute an appropriate written instrument or instruments to confirm the release of the security interest of the Loan Trustee in any Part as provided in this Section 5.01, in each case upon receipt by the Loan Trustee of a Company Request stating that said action was duly taken by the Company in conformity with this Section 5.01 and that the execution of such written instrument or instruments is appropriate to evidence such release of a security interest under this Section 5.01.

(b) Substitution Under the Lease upon an Event of Loss Occurring to Airframe or Engines or upon Voluntary Termination of Lease with Respect to Engines. Upon (i) the occurrence of an Event of Loss occurring to the Airframe or an Engine, or (ii) a voluntary termination of the Lease with respect to an Engine, the Company may, in the case of an Event of Loss which has occurred to the Airframe, or shall, in the case of an Event of Loss which has occurred to or termination of the Lease with respect to an Engine, substitute an airframe or engine, as the case may be, in which case, upon satisfaction of all conditions to such substitution specified in Section 10 of the Lease, the Loan Trustee shall release all of its right, interest and Lien in and to the Airframe or such Engine in accordance with the provisions of the following two sentences. The Loan Trustee shall execute and deliver to the Owner Trustee an instrument

releasing its Lien in and to the Airframe or such Engine and shall execute for recording in public offices, at the expense of the Owner Trustee (if requested by the Owner Trustee) or the Company (if requested by the Company), such instruments in writing as the Owner Trustee or the Company shall reasonably request and as shall be reasonably acceptable to the Loan Trustee in order to make clear upon public records that such Lien has been released under the laws of the applicable jurisdiction. The Owner Trustee hereby waives and releases any and all rights existing or that may be acquired to any penalties, forfeit or damages from or against the Loan Trustee for failure to execute and deliver any document in connection with the release of a Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of a Lien, except for failure by the Loan Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by the Owner Trustee or the Company.

## ARTICLE 6

### REDEMPTION OF EQUIPMENT NOTES

Section 6.01. Redemption of Equipment Notes upon Event of Loss, Termination of the Lease or Optional Redemption. (a) Upon the occurrence of an Event of Loss to the Aircraft if the Aircraft is not replaced pursuant to Section 10(a)(i) of the Lease, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid outstanding principal amount thereof together with accrued and unpaid interest thereon to, but excluding, the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.01(a) shall be the Lease Loss Payment Date.

(b) (1) Upon termination of the Lease pursuant to Section 9(a) of the Lease or upon purchase of the Aircraft by the Company at its option pursuant to Section 9(e) or 20(b) of the Lease (unless the Company shall have assumed the rights and obligations of the Owner Trustee hereunder to the extent and as provided for in Section 7.03 hereof), each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption

Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this clause (1) shall be the Special Termination Date in case the Company purchases the Aircraft pursuant to Section 9(e) of the Lease, or the Special Purchase Option Date in case the Company purchases the Aircraft pursuant to Section 20(b) of the Lease, or otherwise shall be the third Business Day following the Lease Termination Date.

(2) Upon the request of the Owner Trustee upon at least 30 days' prior notice to the Loan Trustee, provided that, so long as no Lease Event of Default shall have occurred and be continuing, the Owner Trustee shall have received written consent to such redemption from the Company prior to the giving of such notice, each Outstanding Equipment Note shall be redeemed (or purchased in lieu of redemption) in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed or purchased prior to the Premium Termination Date applicable to such Pass Through Equipment Note (unless such redemption or purchase is pursuant to Section 6.02), Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed or purchased pursuant to this clause (2) shall be the date designated in the notice of the Owner Trustee, which shall be a Business Day. If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

(3) Upon the request of the Owner Trustee (i) upon at least 30 days' prior irrevocable notice to the Loan Trustee in the case of the Pass Through Equipment Notes or (ii) upon at least five days' notice to the Loan Trustee in the case of the Bank Equipment Notes, and provided that (A) the Owner Trustee shall have received written consent to such redemption from the Company prior to the giving of such notice and (B) all outstanding equipment notes then held in the same Pass Through Trust or by the same Bank Lender, as

the case may be, are simultaneously being redeemed, each Outstanding Equipment Note having the maturity or being held by the Bank Lender designated by the Owner Trustee in such notice shall be redeemed at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this clause (3) shall be the date designated in the notice of the Owner Trustee, which shall be a Business Day. If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

Section 6.02. Redemption or Purchase of Equipment Notes upon Certain Indenture Events of Default. If the Owner Trustee or the Owner Participant gives the notice specified in Section 8.03(e)(ii), then each Outstanding Equipment Note shall be redeemed (or purchased in lieu of redemption) in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof, together with accrued and unpaid interest thereon to but excluding the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, payable in respect of the Bank Equipment Notes in connection with any Indenture Event of Default that is not a Lease Event of Default, but in all cases without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed (or purchased in lieu of redemption) pursuant to this Section 6.02 shall be the date specified in the notice given by the Owner Trustee to the Loan Trustee pursuant to Section 8.03(e)(ii). If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

Section 6.03. Notice of Redemption to Loan Participants. Notice of redemption or purchase with respect to the Equipment Notes shall be given by first-class mail, postage prepaid, mailed not less than 25 nor more than 60 days prior to the Redemption Date (except that, with respect to any Bank Equipment Notes for which a shorter period of notice to the Loan Trustee is provided, written notice shall

be given to each affected Bank Lender as promptly as practicable after the Loan Trustee receives such notice), to each Loan Participant of such Equipment Notes to be redeemed or purchased, at such Loan Participant's address appearing in the Register; provided that, in the case of a redemption to be made pursuant to Section 6.01(b), such notice shall be revocable and shall be deemed revoked in the event that the Lease does not in fact terminate on the Lease Termination Date or if notice of such redemption shall have been given in connection with a refinancing of Equipment Notes and the Loan Trustee receives written notice of such revocation from the Company or the Owner Trustee not later than three Business Days prior to the Redemption Date.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,

(3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Equipment Note, and that, if any such Equipment Notes are then Outstanding, interest on such Equipment Notes shall cease to accrue on and after such Redemption Date, and

(4) the place or places where such Equipment Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption or purchase of Equipment Notes to be redeemed or purchased shall be given by the Loan Trustee.

Section 6.04. Deposit of Redemption Price. On or before the Redemption Date, the Owner Trustee (or any person on behalf of the Owner Trustee) shall, to the extent an amount equal to the Redemption Price for the Equipment Notes to be redeemed or purchased on the Redemption Date shall not then be held in the Indenture Estate, deposit or cause to be deposited with the Loan Trustee or the Paying Agent by 12:00 Noon on the Redemption Date in immediately available funds the Redemption Price of the Equipment Notes to be redeemed or purchased.

Section 6.05. Equipment Notes Payable on Redemption Date. Notice of redemption or purchase having been given as aforesaid (and not deemed revoked as contemplated

in the proviso to Section 6.03), the Equipment Notes to be redeemed or purchased shall, on the Redemption Date, become due and payable at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for such purposes pursuant to Section 2.03, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Equipment Notes then outstanding shall cease to bear interest. Promptly following payment of such Redemption Price with respect to any Bank Equipment Note, the Bank Lender holding such Bank Equipment Note shall surrender such Bank Equipment Note to the Loan Trustee. Upon surrender of any Pass Through Equipment Note for redemption or purchase in accordance with said notice such Equipment Note shall be paid at the Redemption Price.

If any Equipment Note called for redemption or purchase shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate in effect for such Equipment Note as of such Redemption Date.

## ARTICLE 7

### CERTAIN COVENANTS

Section 7.01. Repayment of Monies for Equipment Note Payments Held by the Loan Trustee. Any money held by the Loan Trustee or any Paying Agent in trust for any payment of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, including without limitation any money deposited pursuant to Article 10, and remaining unclaimed for more than two years and eleven months after the due date for such payment or any money paid to the Loan Trustee pursuant to Section 11.01 of the Pass Through Trust Agreement shall be paid to the Owner Trustee; and the Loan Participants entitled to payment thereon shall thereafter, as unsecured general creditors, look only to the Company on behalf of the Owner Trustee for payment thereof, and all liability of the Loan Trustee or any such Paying Agent with respect to such trust money shall thereupon cease; provided that the Loan Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each such Loan Participant notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days

from the date of mailing, any unclaimed balance of such money then remaining will be repaid to the Owner Trustee as provided herein.

Section 7.02. Change in Registration. The Loan Trustee shall upon the request of the Company consent to the deregistration of the Aircraft under the laws of the jurisdiction in which it is at the time registered and the registration of the Aircraft under laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) such change in registration complies with the provisions of the Lease;

(b) no Lease Event of Default and no event which, with lapse of time or notice, or both, would become a Lease Event of Default shall have occurred and be continuing at the date of such request or at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (b) if the change in registration results in the registration of the Aircraft under the laws of the United States of America or if the Loan Trustee in its discretion believes the change in registration would be advantageous to the Loan Participants;

(c) the Loan Trustee shall have received an opinion of counsel reasonably satisfactory to it to the effect that:

(i) after giving effect to the change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a fully-perfected Lien and all filing, recording or other action necessary to perfect and protect the Lien of this Indenture has been accomplished (or if such opinion cannot be given at the time by which the Loan Trustee has been requested to consent to a change in registration, (x) the opinion shall detail what filing, recording or other action is necessary and (y) the Loan Trustee shall have received a certificate from the Company that all possible preparations to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be de-

livered to the Loan Trustee on or prior to the effective date of the change in registration); and

(ii) the terms of the Lease and this Agreement (including the governing law clauses) are legal, valid and binding and enforceable in such jurisdiction, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, and except as limited by applicable laws which may affect the remedies provided in the Lease and this Agreement, respectively, which laws, however, do not in the opinion of such counsel make the remedies provided in the Lease and this Agreement, respectively, inadequate for the practical realization of the rights and benefits provided thereby;

(d) the Loan Trustee shall have received assurances reasonably satisfactory to it that the insurance provisions of the Lease will have been complied with after giving effect to such change in registration; and

(e) the Company shall have paid or made provision satisfactory to the Loan Trustee for the payment of all expenses connected with such change in registration.

The Loan Trustee shall execute such documents as the Company or the Owner Trustee shall reasonably request in order to satisfy the above conditions and upon satisfaction of such conditions to effect the change in registration.

Section 7.03. Assumption of Obligations of Owner Trustee by the Company. In the event that the Company shall have elected to assume all of the rights and obligations of the Owner Trustee under this Agreement in respect of the Equipment Notes in connection with the purchase by the Company of the Aircraft on a Lease Termination Date pursuant to Section 9(e) or Section 20(b) of the Lease (any such date being referred to hereinafter as the "Relevant Date") and, if on or prior to the Relevant Date:

(a) the Company shall have delivered to the Loan Trustee a certificate, dated the Relevant Date, of a Responsible Company Officer stating that the Company has paid to the Owner Trustee all amounts required to be paid to the Owner Trustee pursuant to the Lease, in connection with such purchase and assumption;

(b) no Indenture Default after giving effect to the Relevant Amendment (as defined below) pursuant to clause (x) below shall have occurred and be continuing immediately subsequent to such purchase or assumption and the Loan Trustee shall have received a certificate, dated the Relevant Date, of a Responsible Company Officer to such effect;

(c) the Loan Trustee shall have received, on or prior to the Relevant Date, evidence of all filings, recordings and other action referred to in the Opinion or Opinions of Counsel referred to below; and

(d) the Loan Trustee shall have received an Opinion or Opinions of Counsel for the Company, dated the Relevant Date, which without unusual qualification shall be to the effect that, after giving effect to the Relevant Amendment (as defined below):

(i) this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, and except as limited by applicable laws which may affect the remedies provided for in this Agreement, which laws, however, do not in the opinion of such counsel make the remedies provided for in this Agreement inadequate for the practical realization of the rights and benefits provided for in this Agreement;

(ii) the Aircraft is duly registered in compliance with applicable law under the laws of the jurisdiction in which the Aircraft was registered immediately prior to such purchase and assumption;

(iii) the Lien on the Aircraft constitutes a fully-perfected Lien and all filing, recording or other action (specifying the same) necessary to perfect and protect the Lien of this Agreement has been accomplished; and

(iv) the Loan Trustee should, for the reasons set forth in such opinion, be entitled to the benefits of Section 1110 of the Bankruptcy Code

with respect to the Aircraft; provided that such opinion need not be delivered to the extent that the benefits of Section 1110 of the Bankruptcy Code are not available to the Loan Trustee with respect to the Aircraft immediately prior to such assumption; and provided further that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date;

then, automatically and without the requirement of further action by any Person, effective as of the Relevant Date:

(x) this Agreement shall be deemed to have been amended as provided for in Exhibit D hereto (the "Relevant Amendment"); and

(y) the Owner Trustee shall be released from all of its obligations under this Agreement in respect of the Equipment Notes or otherwise (other than any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Relevant Date or arising out of or based upon events occurring on or prior to the Relevant Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee).

## ARTICLE 8

### DEFAULTS AND REMEDIES

Section 8.01. Indenture Events of Default. "Indenture Event of Default" shall mean any of the following events (whatever the reason for such Indenture Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Indenture Event of Default shall be deemed to exist so long as, but only so long as, it shall not be remedied:

(a) any amount of interest upon any Equipment Note or of principal of any Equipment Note or of Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, in respect of any Equipment Note shall not be paid when due and payable (whether upon redemp-

tion or purchase, final maturity, acceleration or otherwise) and such default in payment shall continue for more than 15 days after such amount shall have become due and payable; or

(b) any failure by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to observe any of its covenants or its agreements contained in the fifth paragraph of the Habendum Clause or Sections 4.01(d) and 4.01(e) if, but only if, such failure is not remedied within a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, by the Loan Trustee or by the Loan Participants owning at least 25% in principal amount of Outstanding Equipment Notes; or

(c) any failure by the Owner Participant or the Owner Trustee, in its individual capacity, to observe or perform any of its respective covenants in Section 9(b), 9(c), 9(d) or 16(c) of the Participation Agreement; or

(d) any failure by the Owner Trustee, in its individual capacity or as Owner Trustee, to observe or perform any other covenant or obligation of the Owner Trustee contained in this Agreement, in the Participation Agreement or any failure by the Owner Participant to observe or perform any other covenant or obligation of the Owner Participant contained in the Participation Agreement which failure, in any case and either individually or together with other then existing failures, shall have a material adverse effect on the rights and interests of the Loan Participants and is not remedied within a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, by the Loan Trustee or by Loan Participants owning at least 25% in principal amount of outstanding Equipment Notes ( provided that if such failure is capable of being remedied, no such failure shall constitute an Indenture Event of Default hereunder for such longer period (not to exceed 180 days) during which the Owner Trustee or the Owner Participant, as the case may be, is diligently proceeding to remedy

such failure and provided further that the Owner Trustee or the Owner Participant, as the case may be, shall have provided to the Loan Trustee adequate assurances of performance within such period); or

(e) any representation or warranty made by the Owner Participant, the Owner Trustee, in its individual capacity or as Owner Trustee, or the Owner Participant Guarantor herein, in the Participation Agreement, in the Refunding Agreement, or in the Owner Participant Guaranty shall prove at any time to have been false or incorrect when made and was and is in any respect materially adverse to the rights and interests of the Loan Participants; and if such misrepresentation and its consequences are capable of being corrected as of a subsequent date and if such correction is being sought diligently, such misrepresentation and its consequences shall continue unremedied for a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such incorrectness and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder by the Loan Trustee or by Loan Participants owning at least 25% in principal amount of Outstanding Equipment Notes; or

(f) subject to Section 8.03(e)(i), any Lease Event of Default (other than any such Lease Event of Default in respect of any Excepted Property); provided that any Lease Event of Default shall be deemed to exist and continue so long as, but only so long as, it shall not be remedied; or

(g) either the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant or the Owner Participant Guarantor, as the case may be, shall (i) file, or consent by answer or otherwise to the filing against it of a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (ii) make an assignment for the benefit of its creditors, or (iii) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or any substantial part of its property; or

(h) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant, or the Owner Participant Guarantor, as the case may be, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant, or the Owner Participant Guarantor, as the case may be, and any such order or petition is not dismissed or stayed within 90 days after the earlier of the entering of any such order or the approval of any such petition; or

(i) any Lessor's Lien required to be discharged by the Owner Participant or the Owner Trustee, in its individual capacity, pursuant to Section 16(b) of the Participation Agreement (in the case of the Owner Participant) or Section 9(c) of the Participation Agreement or Section 4.01(b) hereof (in the case of the Owner Trustee) shall remain undischarged for a period of 30 days after an officer in the Corporate Trust Department who has responsibility for, or familiarity with, the transactions contemplated by the Operative Documents or any Vice President in the Corporate Trust Department (with respect to a Lessor's Lien attributable to the Owner Trustee) or an officer of the Owner Participant who has responsibility for, or familiarity with, the transactions contemplated by the Operative Documents or any Vice President of the Owner Participant (with respect to a Lessor's Lien attributable to the Owner Participant) shall have actual knowledge of such Lien; or

(j) at any time when the Aircraft is registered under the laws of a country other than the United States of America, as a result of the gross negligence or wilful misconduct of the Owner Trustee or the Owner Participant, the Lien of this Agreement shall cease to constitute a valid and duly perfected Lien on the In-

denture Estate (other than pursuant to and in accordance with the terms of Section 10.01); or

(k) any Owner Participant Guaranty ceases to be a valid and enforceable obligation of the Owner Participant Guarantor or otherwise shall not be in full force and effect.

Section 8.02. Acceleration; Rescission and Annulment. If an Indenture Event of Default occurs and is continuing, the Loan Trustee, by notice to the Company, the Owner Participant and the Owner Trustee, or Loan Participants owning at least 25% in aggregate principal amount of Outstanding Equipment Notes by notice to the Company, the Loan Trustee, the Owner Trustee and the Owner Participant, may declare the principal of all the Equipment Notes to be due and payable. Upon such declaration, the principal of all Equipment Notes, together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal has been made or duly provided for shall be immediately due and payable, together with Swap Breakage Loss, if any, on the Bank Equipment Notes. At any time after such declaration and prior to the sale or disposition of the Indenture Estate, Loan Participants owning a majority in aggregate principal amount of all of the Outstanding Equipment Notes, by notice to the Loan Trustee, the Owner Trustee and the Owner Participant, may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of, Make-Whole Amount, if any, and Swap Breakage Loss, if any, and interest on, such Equipment Notes, to the extent each such amount is due or past due, if any, in respect of the Outstanding Equipment Notes other than by reason of such acceleration and all sums due and payable to the Loan Trustee has been deposited with the Loan Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults and Indenture Events of Default under this Agreement have been cured or waived except nonpayment of principal of, Swap Breakage Loss, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No Make-Whole Amount shall be payable on the Pass Through Equipment Notes as a result of the acceleration of the Equipment Notes.

Section 8.03. Other Remedies Available to Loan Trustee. (a) After an Indenture Event of Default shall have occurred and so long as such Indenture Event of Default shall be continuing, then and in every such case the Loan

Trustee, as trustee of an express trust and as assignee hereunder of the Lease or as holder of a security interest in the Aircraft, Airframe or Engines or otherwise, may, and when required pursuant to the provisions of Article 9 shall, exercise subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), upon ten (10) Business days' prior notice to the Owner Trustee and the Owner Participant (if not precluded by law or otherwise) any or all of the rights and powers and pursue any and all of the remedies accorded to the Owner Trustee pursuant to this Article 8 (and in the event that such Indenture Event of Default is also a Lease Event of Default, pursuant to Section 15 of the Lease), may recover judgment in its own name as Loan Trustee against the Indenture Estate and may take possession of all or any part of the Indenture Estate and may exclude the Owner Trustee and the Owner Participant and all persons claiming under any of them wholly or partly.

(b) After an Indenture Event of Default shall have occurred and so long as such Indenture Event of Default shall be continuing, subject to Sections 8.03(e), 8.03(f) and 8.03(h), the Loan Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Owner Trustee, the Owner Participant and the Company once at least 10 Business Days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Loan Trustee may determine, and at any place (whether or not it be the location of the Indenture Estate or any part thereof) and time designated in the notice above referred to; provided, however, that, notwithstanding any provision herein to the contrary, the Loan Trustee may not provide the notice provided for above of its intention to sell any of the Indenture Estate, exercise remedies under the Lease or exercise other remedies against the Indenture Estate, in each case seeking to deprive the Owner Participant of its interest therein unless a declaration of acceleration has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or by announcement at the time and place appointed for any such adjourned sale or sales, without further notice, and the

Loan Trustee and any Loan Participant may bid and become the purchaser at any such sale. The Loan Trustee may exercise such right without possession or production of the Equipment Notes or proof of ownership thereof, and as representative of the Loan Participants may exercise such right without notice to the Loan Participants or including the Loan Participants as parties to any suit or proceeding relating to foreclosure of any property in the Indenture Estate. The Owner Trustee hereby irrevocably constitutes the Loan Trustee the true and lawful attorney-in-fact of the Owner Trustee (in the name of the Owner Trustee or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the Lien created under this Agreement, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Loan Trustee may consider necessary or appropriate, with full power of substitution, the Owner Trustee hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Loan Trustee or any purchaser, the Owner Trustee shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) Subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Owner Trustee shall, at the request of the Loan Trustee, promptly execute and deliver to the Loan Trustee such instruments of title or other documents as the Loan Trustee may deem necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Indenture Estate. If the Owner Trustee shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee shall be entitled to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Loan Trustee the right to immediate possession and requiring the Owner Trustee or the Company or both to execute and deliver such instruments and documents to the Loan Trustee. The Loan Trustee shall also be entitled to pursue all or any part of the Indenture Estate wherever it may be found and may enter any of the premises of the Owner Trustee or any other Person wherever the Indenture Estate may be or be supposed to be

and search for the Indenture Estate and take possession of any item of the Indenture Estate pursuant to this Section 8.03(c). The Loan Trustee may, from time to time, at the expense of the Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Indenture Estate, as it may deem proper. In each such case, the Loan Trustee shall have the right to use, operate, store, lease, control or manage the Indenture Estate, and to exercise all rights and powers of the Owner Trustee relating to the Indenture Estate as the Loan Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, leasing, control or management of the Indenture Estate or any part thereof; and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents (including Rent), issues, profits, products, revenues and other income of the Indenture Estate and every part thereof, without prejudice, however, to the right of the Loan Trustee under any provision of this Agreement to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls, rents (including Rent), issues, profits, products, revenues and other income shall be applied to pay the expenses of using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Owner Trustee and, to the extent permitted by the Lease, the Company), and all other payments which the Loan Trustee may be required or authorized to make under any provision of this Agreement, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Loan Trustee, and of all persons properly engaged and employed by the Loan Trustee.

If an Indenture Event of Default occurs and is continuing and the Loan Trustee shall have obtained possession of or title to the Aircraft, the Loan Trustee shall not be obligated to use or operate the Aircraft or cause the Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of the Aircraft by any other Person unless (i) the

Loan Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all liability for loss or damage to the Aircraft and for public liability and property damage resulting from use or operation of the Aircraft and (ii) funds are available in the Indenture Estate to pay for all such insurance or, in lieu of such insurance, the Loan Trustee is furnished with indemnification from the Loan Participants or any other Person upon terms and in amounts satisfactory to the Loan Trustee in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), the Loan Trustee may proceed to protect and enforce this Agreement and the Equipment Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate or any part thereof, or for the recovery of judgment for the indebtedness secured by the Lien created under this Agreement or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(e) (i) If the Company shall fail to make any payment of Basic Rent under the Lease when the same shall become due, and if such failure of the Company to make such payment of Basic Rent shall not constitute the fourth or subsequent consecutive such failure or the seventh or subsequent cumulative such failure, then as long as no Indenture Event of Default (other than arising from a Lease Event of Default) shall have occurred and be continuing, the Owner Participant or the Owner Trustee may (but need not) pay to the Loan Trustee, at any time prior to the day which is the thirtieth day subsequent to notice of such failure by the Loan Trustee to the Owner Trustee or the Owner Participant (and the Loan Trustee shall not (without the prior written consent of the Owner Trustee) declare the Lease in default pursuant to Section 15 thereof or exercise any of the rights, powers or remedies pursuant to such Section 15 or this Article 8 prior to the occurrence of such date), an amount equal to the full amount of such payment of Basic Rent, together with any interest due thereon on account of the delayed payment thereof to the date of such payment (without regard to any acceleration), and such payment by

the Owner Participant or the Owner Trustee shall be deemed to cure as of the date of such payment any Indenture Event of Default which arose from such failure of the Company (including any Lease Event of Default arising from the Company's failure to pay interest in respect of such overdue Basic Rent for the period commencing on the date of such payment), but such cure shall not relieve the Company of any of its obligations. If the Company shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under the Lease other than the payment of Basic Rent, and if (but only if) the performance or observance thereof can be effected by the payment of money alone (it being understood that actions such as the obtaining of insurance and the procurement of maintenance services can be so effected), then as long as no other Indenture Event of Default (other than those arising from a Lease Event of Default) shall have occurred and be continuing, the Owner Participant or the Owner Trustee may (but need not) pay to the Loan Trustee (or to such other person as may be entitled to receive the same), at any time prior to the day which is the thirtieth day subsequent to notice of such failure by the Loan Trustee to the Owner Trustee or the Owner Participant (or such longer period ending on the second day after the expiry of the applicable grace period specified in the Lease with respect to such default) (and the Loan Trustee shall not (without the prior written consent of the Owner Trustee) declare the Lease in default pursuant to Section 15 thereof or exercise any of the rights, powers or remedies pursuant to such Section 15 or this Article 8 prior to the occurrence of such date), all sums necessary to effect the performance or observance of such covenant or agreement of the Company, together with any interest due thereon on account of the delayed payment thereof to the date of such payment, and such payment by the Owner Participant or the Owner Trustee shall be deemed to cure as of the date of such payment any Indenture Event of Default which arose from such failure of the Company (including any Lease Event of Default arising from the Company's failure to pay interest in respect of such overdue payment for the period commencing on the date of such payment), but such cure shall not relieve the Company of any of its obligations. Upon any payment of Basic Rent by the Owner Participant or the Owner Trustee in accordance with the first sentence of this Section 8.03(e)(i), or upon any payment of any other sums by the Owner Participant or the Owner Trustee in accordance with the second sentence of this Section 8.03(e)(i), then any declaration pursuant to Section 15 of the Lease that the Lease is in default, and any declaration pursuant to this Indenture that the Equipment Notes are due and payable or

that an Indenture Event of Default exists, based upon such Lease Event of Default, shall be deemed rescinded, and the Owner Participant or the Owner Trustee shall, to the extent of their respective payments, be subrogated, in the case of any such payment in accordance with such first sentence, to the rights of the Loan Trustee, as assignee hereunder of the Owner Trustee, or, in the case of any such payment in accordance with such second sentence, to the rights of the Loan Trustee or such other person, as the case may be, which actually received such payment, to receive such payment of Basic Rent or such other payment, as the case may be (and any interest due thereon on account of the delayed payment thereof), and shall be entitled to receive such payment upon its receipt by the Loan Trustee or such other person, as aforesaid (but in each case only if all amounts of principal of, and interest at the time due and payable on, the Equipment Notes together with interest due thereon on account of the delayed payment thereof shall have been paid in full); provided that neither the Owner Participant nor the Owner Trustee shall attempt to recover any such amount paid by it on behalf of the Company pursuant to this Section 8.03(e)(i) except by demanding of the Company payment of such amount or by commencing an action against the Company to require the payment of such amount.

(ii) At any time (a) one or more Lease Events of Default shall have occurred and shall have continued for a period of 180 days or more or (b) the Equipment Notes shall have been accelerated pursuant to Section 8.02, the Owner Trustee or the Owner Participant may, at its option, give at least 30 days' prior irrevocable notice to the Loan Trustee that it will redeem (or purchase in lieu of redemption) all Equipment Notes then outstanding, which redemption or purchase shall be pursuant to Section 6.02 and concurrently with such notice, the Owner Trustee or the Owner Participant will deposit with the Loan Trustee an amount sufficient to redeem or purchase at the applicable Redemption Price determined consistently with the applicable provisions of Section 6.02 (including, without limitation, Swap Breakage Losses, if any, payable in respect of the Bank Equipment Notes in connection with any Indenture Event of Default that is not a Lease Event of Default, but excluding Swap Breakage Losses, if any, payable in respect of the Bank Equipment Notes in connection with an Indenture Event of Default that is also a Lease Event of Default) all Equipment Notes then Outstanding and to pay the Loan Trustee all amounts then due it hereunder, which funds shall be held by the Loan Trustee as provided in Section 9.03. Upon the giving of such notice and the receipt by the Loan Trustee of such deposit, the

Loan Trustee shall deem all instructions received from the Owner Trustee or the Owner Participant as having been given by the Loan Participants of 100% of the Outstanding principal amount of Equipment Notes for all purposes of this Indenture. If such notice is given, the Owner Trustee further agrees that it will, if necessary, deposit or cause to be deposited with the Loan Trustee, on or prior to the Business Day preceding the applicable Redemption Date, whether or not an Indenture Event of Default is then continuing, additional funds sufficient, when added to the funds already held by the Loan Trustee for such purpose, to redeem or purchase at the applicable Redemption Price on such Redemption Date all Equipment Notes then outstanding and to pay the Loan Trustee all amounts then due it hereunder. No Make-Whole Amount on the Pass Through Equipment Notes shall be payable by the Owner Trustee in connection with the redemption or the purchase of the Pass Through Equipment Notes pursuant to this Section. Upon the payment of all amounts by the Owner Trustee or the Owner Participant pursuant to this Section, the Loan Trustee shall transfer the Equipment Notes to the Owner Trustee.

(iii) It is further agreed and understood that if the Loan Trustee shall proceed to foreclose the Lien of this Agreement, it shall substantially simultaneously therewith, to the extent the Loan Trustee is then entitled to do so hereunder and under the Lease, and is not then stayed or otherwise prevented from doing so by operation of law, proceed (to the extent it has not already done so) to exercise one or more comparable or consistent remedies referred to in Section 15 of the Lease (but in any case, the exercise of such remedies shall be commercially reasonable); provided, that, if the Loan Trustee is stayed or otherwise prevented from exercising one or more of the remedies referred to in Section 15 of the Lease, the Loan Trustee shall not, if and so long as such stay or other prohibition shall remain in effect, foreclose the Lien of this Agreement (A) for a period of 60 days after the date of the order for relief in a chapter 11 case of the Company under the Bankruptcy Code unless the Company elects to return the Aircraft or to permit the repossession of the Aircraft before the expiration of such 60-day period and the Loan Trustee actually repossesses the Aircraft; (B) for so long as the Company has agreed with the approval of the relevant court to perform the Lease in compliance with the requirements of Section 1110(a) of the Bankruptcy Code and so long after such agreement as no Event of Default shall have occurred and be continuing that relates to the performance of the Lease (other than an Event of Default set forth in Section 14(g),

(h) or (i) of the Lease), provided that no such Event of Default shall be deemed to occur earlier than the expiration of the 30-day period referred to in Section 1110(a)(2)(B)(i) of the Bankruptcy Code, as such period may be extended with the approval, if required, of the Loan Trustee; (C) for so long as the 60-day period specified in Section 1110(b) of the Bankruptcy Code is extended pursuant to Section 1110(b) of the Bankruptcy Code with the consent of the Loan Trustee; (D) for such longer period of time after the expiration of the 60-day period referred to in, and as extended pursuant to, the preceding clause (C) (the "Period") that the issue of the applicability of Section 1110 to the Aircraft and Lease being disputed by the Company or the Owner Trustee or is subject to judicial determination or pending appeal, provided that such longer period of time shall not extend beyond 6 months after the Period unless there shall not be continuing any default by the Company in the payment of Basic Rent, other than a default as to which the 30-day period referred in, and as extended pursuant to, the preceding clause (B) has not expired (it being understood that if the Owner Trustee or the Owner Participant cures any such default, such cure shall not be considered an exercise of Lessor's cure rights for purposes of determining the number of cures permitted under Section 8.03(e)(i) hereof); or (E) from and after the Company's assumption with the approval of the relevant court of the Lease pursuant to Section 365 of the Bankruptcy Code and so long after such assumption as no Event of Default shall have occurred and be continuing that relates to the performance of the Lease (other than an Event of Default set forth in Section 14(g), (h) or (i) of the Lease), and other than a default as to which the 30-day period referred to in, and as extended pursuant to, the preceding clause (B) has not expired; provided, however, that if such assumption is in connection with an assignment of the Company's interest in the Lease pursuant to Section 365(f) of the Bankruptcy Code, this clause (E) shall have no effect unless the Loan Trustee has agreed that it has received adequate assurance of future performance as set forth in Section 365(f)(2)(B) of the Bankruptcy Code or (F) for so long as the Lessee retains possession of the Aircraft, the Airframe or any Engine even though such retention of possession is not attributable to the Lessee being in compliance with the provisions of Section 1110 of the Bankruptcy Code and the Loan Trustee agrees to (without the consent of the Owner Trustee and despite the ability of the Owner Trustee, or the Loan Trustee as the assignee of the Owner Trustee's rights, under applicable law, to repossess the Aircraft, Airframe or Engine) such retention of possession of the Aircraft,

Airframe or Engine. For the avoidance of doubt, it is expressly understood and agreed that, subject to the immediately preceding sentence, the above-described inability of the Loan Trustee to exercise any right or remedy under the Lease shall in no event and under no circumstances prevent the Loan Trustee from exercising all of its rights, powers and remedies under this Agreement, including, without limitation, this Article 8. References in this subsection (iii) to particular sections of the Bankruptcy Code as in effect on the date of the amendment and restatement of this Indenture shall include any substantially similar successor provisions.

(f) The Owner Trustee and the Loan Trustee acknowledge and agree that, notwithstanding any provision of this Agreement to the contrary, including, without limitation, the Granting Clause, Section 4.01 and Article 8, as long as no Lease Event of Default shall have occurred and be continuing, neither the Loan Trustee nor the Owner Trustee shall take any action contrary to, or disturb the Company's rights under, the Lease, including, without limitation, (x) the right to receive all monies due and payable to it in accordance with the provisions of the Lease and (y) the Company's rights to possession and use of, and to quiet enjoyment of, the Aircraft.

(g) Each and every right, power and remedy herein given to the Loan Trustee specifically or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Owner Trustee or the Company or to be an acquiescence therein.

(h) Notwithstanding anything contained herein, so long as the Pass Through Trustee is the registered holder of any Equipment Note hereunder, the Loan Trustee is not authorized or empowered to acquire title to all or any portion of

the Indenture Estate (including the property subject to the Lien of this Indenture) or take any action with respect to all or any portion of the Indenture Estate (including the property subject to the Lien of this Indenture) so acquired by it if such acquisition or action would cause any Pass Through Trust to fail to qualify as a "grantor trust" for federal income tax purposes.

Section 8.04. Waiver of Owner Trustee. A delay or omission by the Loan Trustee or any Loan Participant in exercising any right or remedy accruing upon an Indenture Event of Default under this Agreement shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

Section 8.05. Waiver of Existing Defaults. The Loan Participants owning a majority in aggregate principal amount of the Outstanding Equipment Notes by notice to the Loan Trustee may waive on behalf of the Loan Participants an existing Indenture Default or Indenture Event of Default and its consequences except (i) an Indenture Default or Indenture Event of Default in the payment of the principal of, or interest on, any Equipment Note or (ii) in respect of a covenant or provision hereof that pursuant to Section 11.02 cannot be amended or modified without the consent of each Loan Participant affected thereby.

Section 8.06. Control by Majority. Loan Participants owning a majority in aggregate unpaid principal amount of the Outstanding Equipment Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Loan Trustee or exercising any trust or power conferred on it by this Agreement. However, the Loan Trustee may refuse to follow any direction that conflicts with law, the Lease or this Agreement, that is unduly prejudicial to the rights of the Loan Participants so affected, or that would subject the Loan Trustee to personal liability.

Section 8.07. Limitation on Suits by Loan Participants. A Loan Participant may pursue a remedy under this Agreement or under an Equipment Note only if:

(1) the Loan Participant gives to the Loan Trustee written notice of a continuing Indenture Event of Default under this Agreement;

(2) Loan Participants owning at least 25% in aggregate principal amount of the outstanding Equipment

Notes make a written request to the Loan Trustee to pursue the remedy;

(3) such Loan Participant or Loan Participants offer to the Loan Trustee indemnity satisfactory to the Loan Trustee against any loss, liability or expense to be, or which may be, incurred by the Loan Trustee in pursuing the remedy;

(4) the Loan Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, Loan Participants owning a majority in aggregate principal amount of the Outstanding Equipment Notes do not give the Loan Trustee a direction inconsistent with the request.

A Loan Participant may not use this Agreement to prejudice the rights of another Loan Participant or to obtain a preference or priority over another Loan Participant.

Section 8.08. Rights of Loan Participants to Receive Payment.

Notwithstanding any other provision of this Agreement, the right of any Loan Participant to receive payment of principal of, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on an Equipment Note on or after the respective due dates expressed in such Equipment Note, to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Loan Participant.

ARTICLE 9

LOAN TRUSTEE

Section 9.01. Rights and Duties of Loan Trustee. (a) The Loan Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Loan Trustee need not investigate any fact or matter stated in the document.

(b) Before the Loan Trustee acts or refrains from acting, it may consult with counsel or require an Officers' Certificate or an Opinion of Counsel from the Company or the Owner Trustee after which it will take such action or refrain from acting as it deems appropriate. The Loan Trustee

shall not be liable for any action it takes or omits to take in good faith and in accordance herewith in reliance on a resolution of the Board of Directors of the Company, the written advice of counsel acceptable to the Owner Trustee, the Company and the Loan Trustee, officer's certificates or opinions of counsel provided by the Company or the Owner Trustee.

(c) The Loan Trustee may act through agents and shall not be responsible for the misconduct or negligence of any such agent appointed with due care; provided that, so long as no Lease Event of Default shall have occurred and be continuing, no such agents shall be appointed by the Loan Trustee without the consent of the Company and the Owner Trustee, which consent shall, in each case, not be unreasonably withheld.

(d) The Loan Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Loan Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) Subject to the provisions of Section 9.03, the Loan Trustee shall not be liable for interest on any money received by it except as the Loan Trustee may otherwise agree in writing with the Company. Money held in trust by the Loan Trustee need not be segregated from other funds except to the extent required by law.

(g) If an Indenture Event of Default under this Agreement has occurred and is continuing, the Loan Trustee shall exercise its rights and powers under this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(h) Except during the continuance of an Indenture Event of Default:

(1) The Loan Trustee need perform only those duties that are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Loan Trustee.

(2) In the absence of bad faith on its part, the Loan Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Loan Trustee and conforming to the requirements of this Agreement. However, the Loan Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this Agreement.

(i) The Loan Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (h) of this Section.

(2) The Loan Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or officers, unless it shall be proved that the Loan Trustee was negligent in ascertaining the pertinent facts.

(3) The Loan Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with the direction received by it pursuant to Section 8.06.

(j) Every provision of this Agreement that in any way relates to the Loan Trustee is subject to paragraphs (g), (h) and (i) of this Section.

Section 9.02. Individual Rights of Loan Trustee. The Loan Trustee in its individual or any other capacity may become the owner or pledgee of Equipment Notes and may otherwise deal with the Owner Trustee, the Company or an Affiliate of the Owner Trustee or the Company or a subsidiary of the Owner Trustee or the Company with the same rights it would have if it were not the Loan Trustee. Any Agent may do the same with like rights.

Section 9.03. Funds May Be Held by Loan Trustee or Paying Agent; Investments. (a) Subject to paragraph (b) below, any monies (including for the purpose of this subsection 9.03 any cash deposited with the Loan Trustee or Permitted Investments purchased by the use of such cash pursuant to this subsection 9.03 or any cash constituting the proceeds of the maturity, sale or other disposition of any Permitted Investment) held by the Loan Trustee or the

Paying Agent hereunder as part of the Indenture Estate, until paid out by the Loan Trustee or the Paying Agent as herein provided, at any time and from time to time, at the request of the Owner Trustee, shall be invested and reinvested in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Trustee in trust as part of the Indenture Estate until so sold. Unless otherwise expressly provided in this Agreement, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any such Permitted Investment, net of the Loan Trustee's reasonable fees and expenses in making such Permitted Investment, shall be held and applied by the Loan Trustee in the same manner as the principal amount of such Permitted Investment is to be applied and any loss realized upon maturity, sale or other disposition of any such Permitted Investment shall be charged against the principal amount invested.

(b) Notwithstanding anything to the contrary contained in paragraph (a) above, any amounts held by the Loan Trustee or the Paying Agent hereunder as a part of the Indenture Estate, until paid out by the Loan Trustee or the paying Agent as herein provided, which are either (i) amounts held pursuant to Section 25 of the Lease or (ii) amounts held under Section 6.01(b)(1) in connection with termination of the Lease pursuant to Section 9(a) of the Lease, at any time and from time to time, so long as no Lease Event of Default shall have occurred and be continuing, at the request (given directly by the Company to the Loan Trustee) of the Company acting as the agent of the Owner Trustee, shall be invested and reinvested in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest, or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Loan Trustee in trust as a part of the Indenture Estate until so sold; provided that the Company, on behalf of the Owner Trustee, as agent of the Owner Trustee, shall upon demand pay to the Loan Trustee the amount of any loss realized upon maturity, sale or other disposition of any such Permitted Investment and, so long as no Lease Event of Default shall have occurred and be continuing, be entitled to receive from the Loan Trustee, and the Loan Trustee shall promptly pay to the Company, on behalf of the Owner Trustee, any profit, income, interest, dividend or gain realized upon maturity, sale or

other disposition of any such Permitted Investment. If any Lease Event of Default shall have occurred and be continuing, any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment made pursuant to this paragraph (b) shall be held as part of the Indenture Estate and shall be applied by the Loan Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof or of the Lease pursuant to which such amounts were required to be held.

(c) The Loan Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Section.

Section 9.04. Notice of Defaults. If an Indenture Event of Default under this Agreement occurs and is continuing and if it is actually known to a Responsible officer of the Loan Trustee, the Loan Trustee shall (i) promptly send written notice thereof to the Company, each Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant and (ii) within 90 days after it occurs, mail to each Loan Participant notice of all uncured Indenture Events of Default under this Agreement. Except in the case of a default in the payment of the principal of, Swap Breakage Losses, if any, or interest on any Equipment Note, the Loan Trustee shall be protected in withholding the notice required under clause (ii) above if and so long as the executive committee or trust committee of directors of the Loan Trustee and/or Responsible Officers thereof in good faith determines that withholding such notice is in the interest of the Loan Participants. In addition, if an Indenture Default occurs and is continuing and if it is actually known to a Responsible Officer of the Loan Trustee, the Loan Trustee shall promptly send written notice thereof to the Company, each Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant; provided that, with respect to any payment Indenture Default, the Loan Trustee shall send such notice no later than five days after a Responsible Officer of the Loan Trustee obtains actual knowledge thereof.

Section 9.05. Compensation and Indemnity. (a) The Owner Trustee shall pay to the Loan Trustee, from time to time, on demand, (i) reasonable compensation for its services, which compensation shall not be limited by any law

on compensation of a trustee of an express trust, (ii) reimbursement for all reasonable out-of-pocket expenses incurred by the Loan Trustee in connection with the performance of its duties under this Agreement (including the reasonable compensation and expenses of the Loan Trustee's counsel and any agent appointed in accordance with Section 9.01(c)) and (iii) indemnification against any loss or liability incurred by it arising out of or in connection with its acceptance or administration of the trust or trusts hereunder except (A) as such expenses or loss or liability might result from the negligence or willful misconduct of the Loan Trustee or the inaccuracy of any representation or warranty of the Loan Trustee in its individual capacity in Section 9 of the Refunding Agreement, (B) as otherwise provided in Section 9.09 and (C) as otherwise excluded by the terms of Sections 7(b) and 7(c) of the Participation Agreement from the Company's indemnities under said Sections; provided that, so long as the Lease is in effect, the Loan Trustee shall not make any claim under this Section 9.05 for any claim or expense indemnified against by the Company under the Participation Agreement without first making demand on the Company for payment of such claim or expense. The Loan Trustee shall notify the Owner Trustee and the Company promptly of any claim for which it may seek indemnity. The Owner Trustee shall have the right to defend the claim and the Loan Trustee shall cooperate in the defense. The Loan Trustee may have separate counsel and the Owner Trustee, subject to limitations set forth in the third preceding sentence, shall pay the reasonable fees and expenses of such counsel. The Owner Trustee need not pay for any settlement made without its and the Company's consent. If the Owner Trustee is required to make any payment under this Section 9.05(a), it shall be subrogated to the rights of the Loan Trustee with respect thereto.

(b) To secure the payment obligations of the Owner Trustee pursuant to this Section 9.05, the Loan Trustee shall have a Lien prior to that of the Loan Participants on all money or property held or collected by the Loan Trustee, except that held in trust to pay the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, or interest on particular Equipment Notes.

Section 9.06. Replacement of Loan Trustee. (a) The resignation or removal of the Loan Trustee and the appointment of a successor Loan Trustee shall become effective only upon the successor Loan Trustee's acceptance of appointment as provided in this Section.

(b) The Loan Trustee may resign by giving at least 30 days' prior written notice to the Company and the Owner Trustee. Loan Participants holding a majority in aggregate principal amount of the Outstanding Equipment Notes may remove the Loan Trustee by giving at least 30 days' prior written notice to the Loan Trustee, the Owner Trustee, the Owner Participant and the Company and may appoint a successor Loan Trustee for such Equipment Notes so long as no Indenture Event of Default shall have occurred and be continuing with the Owner Trustee's and the Company's consent. The Owner Trustee (acting pursuant to instructions from the Company) may remove the Loan Trustee if:

(1) the Loan Trustee fails to comply with Section 9.08 hereof (or, as long as State Street Bank and Trust Company of Connecticut, National Association shall be the Loan Trustee, the requirement set forth in Section 9.08 hereof specifically applicable to such institution);

(2) the Loan Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or public officer takes charge of its property; or

(4) the Loan Trustee becomes incapable of acting.

(c) If the Loan Trustee resigns or is removed, or if a vacancy exists in the office of Loan Trustee for any reason and a new Loan Trustee has not been appointed pursuant to Section 9.06(b), the Owner Trustee shall promptly appoint a successor Loan Trustee.

(d) If a successor Loan Trustee does not take office within 30 days after the retiring Loan Trustee resigns or is removed, the retiring Loan Trustee, the Company, the Owner Trustee or Loan Participants holding a majority in aggregate principal amount of the Outstanding Equipment Notes may petition any court of competent jurisdiction for the appointment of a successor Loan Trustee.

(e) If the Loan Trustee fails to comply with Section 9.08, any Loan Participant may petition any court of competent jurisdiction for the removal of such Loan Trustee and the appointment of a successor Loan Trustee.

(f) A successor Loan Trustee shall deliver a written acceptance of its appointment to the retiring Loan Trustee, to the Company and to the Owner Trustee. Thereupon, the resignation or removal of the retiring Loan

Trustee shall become effective, and the successor Loan Trustee shall have all the rights, powers and duties of the retiring Loan Trustee for which the successor Loan Trustee is to be acting as Loan Trustee under this Agreement. The retiring Loan Trustee shall promptly transfer all property and all books and records relating to the administration of the Indenture Estate held by it as Loan Trustee to the successor Loan Trustee subject to the Lien provided for in Section 9.05. The Owner Trustee shall give notice of each appointment of a successor Loan Trustee if there are Equipment Notes outstanding, by mailing written notice of such event by first-class mail to the Loan Participants.

(g) All provisions of this Section 9.06 except subparagraphs (b)(1) and (e) and the words "subject to the Lien provided for in Section 9.05" in subparagraph (f) shall apply also to any Paying Agent.

Section 9.07. Successor Loan Trustee, Agents by Merger, Etc. If the Loan Trustee or any Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business assets to, another corporation, the successor corporation, without any further act, shall be the successor Loan Trustee or Agent, as the case may be.

Section 9.08. Eligibility; Disqualification. This Agreement shall at all times have a Loan Trustee which shall be a bank or trust company and have a combined capital and surplus of at least \$100,000,000 (or having a combined capital and surplus in excess of \$5,000,000 (or, as long as State Street Bank and Trust Company of Connecticut, National Association shall be the Loan Trustee, \$3,000,000) and the obligations of which, whether now in existence or hereafter incurred, are fully and unconditionally guaranteed by a corporation organized and doing business under the laws of the United States, any State or Territory thereof or of the District of Columbia and having a combined capital and surplus of at least \$100,000,000) and which shall be a "citizen of the United States" as defined in 49 U.S.C. Section 40102. If such corporation publishes reports of conditions at least annually, pursuant to law or to the requirements of Federal, State, Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 9.08, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as

set forth in its most recent report of conditions so published.

In case at any time the Loan Trustee shall cease to be eligible in accordance with the provisions of this Section 9.08, the Loan Trustee shall resign immediately in the manner and with the effect specified in Section 9.06.

Section 9.09. Trustee's Liens. The Loan Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full all Liens ("Trustee's Liens") on the Indenture Estate which are either (i) attributable to the Loan Trustee in its individual capacity and which are unrelated to the transactions contemplated by the Operative Documents, or (ii) attributable to the Loan Trustee as trustee hereunder or in its individual capacity and which arise out of acts or omissions by it which are contrary to the terms of this Agreement.

Section 9.10. Withholding Taxes; Information Reporting. The Loan Trustee shall exclude and withhold from each distribution of principal, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest and other amounts due hereunder or under the Equipment Notes any and all withholding taxes applicable thereto as required by law. The Loan Trustee agrees (i) to act as such withholding agent and, in connection therewith, whenever any present or future taxes or similar charges are required to be withheld with respect to any amounts payable in respect of the Equipment Notes, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the Loan Participants, (ii) that it will file any necessary withholding tax returns or statements when due and (iii) that, as promptly as possible after the payment of such amounts, it will deliver to each Loan Participant appropriate documentation showing the payment of such amounts, together with such additional documentary evidence as such Loan Participants may reasonably request from time to time. The Loan Trustee agrees to file any other information reports as it may be required to file under United States law.

## ARTICLE 10

SATISFACTION AND DISCHARGE; DEFEASANCE;  
TERMINATION OF OBLIGATIONS

Section 10.01. Satisfaction and Discharge of Agreement; Defeasance; Termination of Obligations. Subject to Section 10.02, this Agreement shall cease to be of further effect, and the Owner Trustee and the Loan Trustee shall, except as herein provided, be deemed to have been discharged from their respective obligations with respect to the Equipment Notes (and the Loan Trustee, on demand and at the expense of the Owner Trustee, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture in respect of the Equipment Notes), when

(a) (i) all Equipment Notes theretofore Notes executed and delivered (other than (A) Equipment Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.06 and (B) Equipment Notes for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been delivered to the Loan Trustee for cancellation;

(ii) all Equipment Notes not theretofore delivered to the Loan Trustee for cancellation have become due and payable (whether upon stated maturity, as a result of redemption or upon acceleration), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of the deposit referred to below) at maturity within one year, and there has been deposited with the Loan Trustee in trust for the purpose of paying and discharging the entire indebtedness on the Equipment Notes not theretofore canceled by the Loan Trustee or delivered to the Loan Trustee for cancellation, an amount in cash sufficient without reinvestment thereof to discharge such indebtedness, including the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes to the date of such deposit (in the case of Equipment Notes which have become due and payable), or to the maturity thereof, as the case may be; or

(iii) (A) the Owner Trustee has deposited or caused to be deposited irrevocably (except as provided in Section 10.04) with the Loan Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Loan Participants, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this clause) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Loan Trustee, to pay and discharge each installment of principal of, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments of principal or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of such deposit), and no Lease Event of Default under any of Sections 14(f) through 14(i) of the Lease shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date; provided, however, that, upon the making of the deposit referred to above in clause (A), the right of the Owner Trustee or the Company to cause the redemption of Equipment Notes (except a redemption in respect of which irrevocable notice has theretofore been given) shall terminate;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default under, this Agreement or a default or event of default under any other agreement or instrument to which the Owner Trustee or the Company is a party or by which it is bound; and

(C) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Loan Participants will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise by the Owner Trustee of its option under this Section 10.01(a)(iii) and will be subject to Federal

income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable hereunder have been paid; and

(c) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Agreement contemplated by this Section 10.01 have been complied with.

Section 10.02. Survival of Certain Obligations. Notwithstanding the provisions of Section 10.01, the obligations of the Owner Trustee and the Loan Trustee contained in Sections 2.01 through 2.08, Section 7.01, Section 9.10, Section 10.03 and Section 10.04 and the rights, duties, immunities and privileges hereunder of the Loan Trustee shall survive.

Section 10.03. Monies to Be Held in Trust. All monies and U.S. Government Obligations deposited with the Loan Trustee pursuant to Section 10.01 shall be held in trust and applied by it, in accordance with the provisions of the Equipment Notes and this Indenture, to the payment either directly or through any Paying Agent as the Loan Trustee may determine, to the Loan Participants, of all sums due and to become due thereon for principal, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest, but such money need not be segregated from other funds except to the extent required by law.

Section 10.04. Monies to Be Returned to Owner Trustee. The Loan Trustee and any Paying Agent shall promptly pay or return to the Owner Trustee upon request of the Owner Trustee any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 for which money or U.S. Government Obligations have been deposited pursuant to Section 10.01.

ARTICLE 11  
AMENDMENTS AND WAIVERS

Section 11.01. Amendments to This Agreement Without Consent of Loan Participants. The Owner Trustee and the Loan Trustee may enter into one or more agreements supplemental hereto without the consent of any Loan Participant for any of the following purposes:

(1) (a) to cure any defect or inconsistency herein or in the Equipment Notes, or to make any change not inconsistent with the provisions hereof (provided that such change does not adversely affect the interests of any Loan Participant) or (b) to cure any ambiguity or correct any mistake;

(2) to evidence the succession of another party as the Owner Trustee in accordance with the terms of the Trust Agreement or to evidence (in accordance with Article 9) the succession of a new trustee hereunder, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees;

(3) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the Loan Participants;

(4) to correct or amplify the description of any property at any time subject to the Lien of this Agreement or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Agreement or to subject to the Lien of this Agreement the Airframe or Engines or airframe or engines substituted for the Airframe or Engines in accordance herewith or with the Lease; provided that Trust Agreement and Indenture Supplements entered into for the purpose of subjecting to the Lien of this Agreement the Airframe or Engines in accordance with the Lease need only be executed by the Owner Trustee;

(5) to add to the covenants of the Owner Trustee for the benefit of the Loan Participants, or to sur-

render any rights or power herein conferred upon the Owner Trustee, the Owner Participant or the Company;

(6) to add to the rights of the Loan Participants;

(7) to provide for the assumption by the Company of the obligations of the Owner Trustee hereunder in accordance with the terms and conditions applicable thereto specified in Section 7.03 hereof, including, without limitation, such amendments to Exhibit D hereof as may be necessary or desirable in order to effectuate such assumption and accomplish the purposes thereof; or

(8) to include on the Equipment Notes any legend as may be required by law.

Section 11.02. Amendments to This Agreement with Consent of Loan Participants. (a) With the written consent of Loan Participants owning a majority of the aggregate principal amount of the Outstanding Equipment Notes, the Owner Trustee and the Loan Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Agreement or of any such supplemental agreements or to modify the rights of the Loan Participants; provided, however, that, without the consent of each Loan Participant affected thereby, an amendment under this Section 11.02 may not:

(1) reduce the principal amount of, any Installment Payment Amount payable with respect to, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note; or

(2) change the date on which any principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, is due or payable; or

(3) create any Lien on the Indenture Estate prior to or pari passu with the Lien thereon under this Agreement except such as are permitted by this Agreement, or deprive any Loan Participant of all or any part of the benefit of the Lien on the Indenture Estate created by this Agreement; or

(4) reduce the percentage in principal amount of the Outstanding Equipment Notes, the consent of whose holders is required for any such supplemental agree-

ment, or the consent of whose holders is required for any waiver (of compliance with certain provisions of this Agreement or of certain defaults hereunder or their consequences) provided for in this Agreement; or

(5) make any change in Section 8.05, 8.08 or this Section 11.02(a); or

(6) change the definition of "Indenture Estate" or the amounts secured thereby.

(b) It is not necessary under this Section 11.02 for the Loan Participants to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Owner Trustee, the Company and the Loan Trustee of any supplemental agreement pursuant to the provisions of this Section 11.02, the Owner Trustee shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Loan Participants, as the names and addresses of such Loan Participants appear on the Register. Any failure of the Owner Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 11.03. Revocation and Effect of Consents. The Owner Trustee may at its option by delivery of an Officers' Certificate to the Loan Trustee set a record date to determine the Loan Participants entitled to give any consent, request, demand, authorization, direction, notice, waiver or other act. Such record date shall be the record date specified in such Officers' Certificate which shall be a date not more than 30 days prior to the first solicitation of Loan Participants in connection therewith. If such a record date is fixed, such consent, request, demand, authorization, direction, notice, waiver or other act may be given before or after such record date, but only the Loan Participants of record at the close of business on such record date shall be deemed to be Loan Participants for the purposes of determining whether Loan Participants holding the requisite proportion of Outstanding Equipment Notes have authorized or agreed or consented to such consent, request, demand, authorization, direction, notice, waiver or other act, and for that purpose the Outstanding Equipment Notes shall be computed as of such record date; provided that no such consent, request, demand, authorization, direction,

notice, waiver or other act by the Loan Participants on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Agreement not later than one year after the record date.

Section 11.04. Notation on or Exchange of Equipment Notes. The Loan Trustee may place an appropriate notation about an amendment or waiver on any Equipment Note thereafter executed. The Loan Trustee in exchange for such Equipment Notes may execute new Equipment Notes that reflect the amendment or waiver.

Section 11.05. Loan Trustee Protected. The Loan Trustee need not sign any supplemental agreement that adversely affects its rights, duties, immunities or indemnities.

Section 11.06. Amendments, Waivers, Etc. of Other Operative Documents.  
(a) Without the consent of the Loan Participants holding a majority in principal amount of Outstanding Equipment Notes, the respective parties to the Participation Agreement, the Lease, the Trust Agreement and the Purchase Agreement Assignment may not modify, amend or supplement any of said agreements, or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or modifying in any manner the rights of the respective parties thereunder; provided, however, that the actions specified in subsection (b) of this Section 11.06 may be taken without the consent of the Loan Trustee or any Loan Participant.

(b) Subject to the provisions of subsection (c) of this Section 11.06, the respective parties to the Participation Agreement, the Lease and the Trust Agreement, at any time and from time to time without the consent of the Loan Trustee or of any Loan Participant, may:

(1) so long as no Indenture Event of Default shall have occurred and be continuing, modify, amend or supplement the Lease, or give any consent, waiver, authorization or approval with respect thereto, except that without compliance with subsection (a) of this Section 11.06 the parties to the Lease shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder,

with respect to the following provisions of the Lease as in effect on the Refunding Date: Section 2, Section 3(a) (if the result thereof would be to shorten the Term of the Lease to a period shorter than the period ending with the latest Maturity Date of any Equipment Notes), Section 3(b), Section 3(c) (except to the extent such Section relates to amounts payable (whether directly or pursuant to the Indenture) to Persons other than the Loan Participants and the Loan Trustee in its individual capacity), Section 3(d) (except insofar as it relates to the address or account information of the Owner Trustee or the Loan Trustee) (other than as such Sections 3(a) through 3(d) may be amended pursuant to Section 3(e) of the Lease in effect on the Refunding Date), Section 4, Section 6, Section 9 (except that further restrictions may be imposed on the ability of the Company to terminate the Lease with respect to the Aircraft or an Engine), Section 10 (except that additional requirements may be imposed on the Company), Section 11 (except for Section 11(d) and except that additional insurance requirements may be imposed on the Company), Section 12 (except in order to increase the Company's liabilities or enhance the Lessor's rights thereunder), Section 13 (except in the case of an assignment by the Lessor in circumstances where the Aircraft shall remain registrable under the Federal Aviation Act), Section 14 (except to impose additional or more stringent Lease Events of Default), Section 15 (except to impose additional remedies), Section 16, Section 17 (except to impose additional requirements on the Company), Section 19, Section 22, Section 25 and any definition of terms used in the Lease, to the extent that any modification of such definition would result in a modification of the Lease not permitted pursuant to this subsection (b); provided that, in the event an Indenture Event of Default shall have occurred and be continuing, the Loan Trustee shall have all rights of the Owner Trustee as "Lessor" under the Lease to modify, amend or supplement the Lease or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the "Lessor" thereunder; provided further that, without the prior consent of the Owner Trustee, and whether or not an Indenture Event of Default shall have occurred and be continuing, no such action shall be taken with respect to any of the provisions of Sections 1 (to the extent any modification of a

definition contained therein would result in a modification of the Lease not permitted by this proviso), 3, 5, 6 (to the extent such action would reduce the Company's obligations), 7, 8, 9, 10, 11 (except to increase the amounts or types of insurance the Company must provide thereunder at its expense), 12, 13, 14, 15, 17 (insofar as it relates to the Lessor), 19, 20 and 28 of the Lease, or any other section of the Lease to the extent such action shall affect the amount or timing of any amounts payable by the Company under the Lease as originally executed (or as subsequently modified with the consent of the Owner Trustee) which, absent the occurrence and continuance of an Indenture Event of Default, would be distributable to the Owner Trustee under Article 3 or otherwise materially and adversely affects the rights of the Owner Trustee or the Owner Participant; and provided further that the parties to the Lease may take any such action without the consent of the Loan Trustee or any Loan Participant to the extent such action relates to the payment of amounts constituting, or the Owner Trustee's, the Owner Participant's or the Company's rights or obligations with respect to, Excepted Property;

(2) modify, amend or supplement the Trust Agreement, or give any consent, waiver, authorization or approval with respect thereto, in each case only to the extent any such action shall not adversely impact the interests of the Loan Participants;

(3) modify, amend or supplement the Participation Agreement, or give any consent, waiver, authorization or approval with respect thereto, except that without the consent of the Loan Participants holding a majority in principal amount of Outstanding Pass Through Equipment Notes, the parties to the Participation Agreement shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Participation Agreement as in effect on the Refunding Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants holding the Pass Through Equipment Notes), Section 8, Sections 9(b) through 9(d), Section 10, Section 13, Section 16(b)

and, to the extent the Loan Participants holding the Pass Through Equipment Notes would be adversely affected thereby, Section 16(c) and Section 17 and any definition of terms used in the Participation Agreement, to the extent that any modification of such definition would result in a modification of the Participation Agreement not permitted pursuant to this subsection (b);

(4) modify, amend or supplement any of said agreements in order to cure any ambiguity, to correct or supplement any provisions thereof which may be defective or inconsistent with any other provision thereof or of any provision of this Indenture, or to make any other provision with respect to matters or questions arising thereunder or under this Agreement which shall not be inconsistent with the provisions of this Agreement, provided the making of any such other provision shall not adversely affect the interests of the Loan Participants unless such provision corrects a mistake or cures an ambiguity; and

(5) any indemnities solely in favor of the Owner Participant or any member of its Related Indemnitee Group may be modified, amended or supplemented in such manner as shall be agreed by the Owner Participant and the Lessee.

(c) No modification, amendment, supplement, consent, waiver, authorization or approval with respect to the Lease or the Participation Agreement, whether effected pursuant to subsection (a) or pursuant to subsection (b) of this Section 11.06 and anything in such subsections or elsewhere in this Agreement to the contrary notwithstanding, shall, without the consent of each Loan Participant affected thereby,

(1) modify, amend or supplement the Lease in such a way as to extend the time of payment of Basic Rent or Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss or Stipulated Loss Value or any other amounts payable upon the occurrence of an Event of Loss or Termination Value and any other amounts payable upon termination of the Lease with respect to the Aircraft, payable under, or as provided in, the Lease in effect on the Refunding Date, or reduce the amount of any installment of Basic Rent or Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss as in effect on the

Refunding Date so that the same is less than the payment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, and interest on the Equipment Notes, as the case may be, to be made from such installment of Basic Rent or Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss, or reduce the aggregate amount of Stipulated Loss Value or Swap Breakage Loss, or any other amounts payable under, or as provided in the Lease as in effect on the Refunding Date upon the occurrence of an Event of Loss so that the same is less than the accrued interest on and principal as of the Lease Loss Payment Date, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, of the Equipment Notes at the time Outstanding or reduce the amount of Termination Value and any other amounts payable under, or as provided in, the Lease as in effect on the Refunding Date upon termination of the Lease with respect to the Aircraft so that the same is less than the accrued interest on and principal as of the Lease Termination Date and Make-Whole Amount, if any, or Swap Breakage Loss, if any, of Equipment Notes at the time Outstanding, or

(2) modify, amend or supplement the Lease in such a way as to, or consent to any assignment of the Lease or give any consent, waiver, authorization or approval which would, release the Company from its obligations in respect of payment of Basic Rent, Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss or Stipulated Loss Value and any other amounts payable upon the occurrence of an Event of Loss, or Termination Value and any other amounts payable upon termination of the Lease with respect to the Aircraft, payable under, or as provided in, the Lease as in effect on the Refunding Date, except for any such assignment pursuant to Section 13(E) of the Participation Agreement, and except as provided in the Lease as in effect on the Refunding Date.

## ARTICLE 12

### MISCELLANEOUS

Section 12.01. Notices. (a) Unless otherwise specifically provided herein, all notices required or permitted by the terms of this Agreement shall be in English and in writing, and any such notice shall become effective

upon being deposited in the United States mail with proper postage for first-class registered or certified mail prepaid, or when delivered personally, or, if promptly confirmed by mail as provided above, when dispatched by telegram, telex or other written telecommunication, addressed to any party to this Agreement at their respective addresses or telex numbers,

if to the Company, to:

American Airlines, Inc.  
P.O. Box 619616  
4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155  
  
Attention: Senior Vice President-Finance  
  
Telex: 73-0613  
Answerback: AMAIR-DFWDAL  
Facsimile: (817) 963-4318  
Telephone: (817) 963-1234

if to the Loan Trustee, to:

State Street Bank and Trust Company of  
Connecticut, National Association  
c/o State Street Bank and Trust Company  
Two International Place -- 4th Floor  
Boston, Massachusetts 02110  
  
Attention: Corporate Trust Department  
(AA 1995 PTC Series AA)  
  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

if to the Owner Trustee, to:

Wilmington Trust Company  
Rodney Square North  
Wilmington, Delaware 19890  
  
Attention: Corporate Trust Administration  
(AA 1995 PTC Series AA)  
  
Facsimile: (302) 651-8882  
Telephone: (302) 651-1000

if to the Owner Participant, to:

AT&T Holdings, Inc.  
c/o AT&T Capital Corporation  
44 Whippany Road  
Morristown, New Jersey 07960

Attention: Edward F. Gromek

Facsimile: (201) 397-4368  
Telephone: (201) 397-3000

(b) The Company, the Owner Trustee, the Loan Trustee or the Owner Participant by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) Any notice or communication to Loan Participants shall be mailed by first-class mail to the addresses for Loan Participants shown on the Register kept by the Registrar and to addresses filed with the Loan Trustee for other Loan Participants. Failure so to mail a notice or communication or any defect in such notice or communication shall not affect its sufficiency with respect to other Loan Participants.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it is conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Loan Participants, it shall mail a copy to the Loan Trustee and to each Paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Loan Trustee shall be deemed to be given only when received by a Responsible Officer of the Loan Trustee.

Section 12.02. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company or the Owner Trustee to the Loan Trustee to take any action under this Agreement, the Company or the Owner Trustee, as the case may be, shall furnish to the Loan Trustee:

(1) a certificate of a Responsible Company Officer or a Responsible Officer, as the case may be, stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with;

except that in the case of any request or application as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular request or application, no additional certificate or Opinion of Counsel need be furnished pursuant to this Section 12.02.

Section 12.03. Rules by Loan Trustee and Agents. The Loan Trustee may make reasonable rules for action by or a meeting of Loan Participants. The Paying Agent or Registrar may make reasonable rules and set reasonable requirements for its functions.

Section 12.04. Non-Business Days. If any date scheduled for any payment of principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, interest or other amounts hereunder or under the Equipment Notes is not a Business Day, payment may be made at such place on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period; provided that, with respect to any payment of principal, interest or Swap Breakage Loss, if any, if by virtue of such extension the date of payment would fall in the next succeeding calendar month, then such sum shall be payable on the next preceding Business Day.

Section 12.05. GOVERNING LAW. THIS AGREEMENT AND THE EQUIPMENT NOTES HAVE BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 12.06. No Recourse Against Others. No director, officer, employee or stockholder, as such, of the Company, the Owner Trustee or the Owner Participant, as the case may be, shall have any liability for any obligations of the Company, the Owner Trustee or the Owner Participant, as the case may be, under this Agreement or for any claim based on, in respect of or by reason of such obligations or their

creation. Each Loan Participant by accepting an Equipment Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Equipment Notes.

Section 12.07. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

Section 12.08. Indenture for Benefit of Owner Trustee, Loan Trustee, Owner Participant and Loan Participants. Nothing in this Indenture, whether express or implied, shall be construed to give to any Person other than the Owner Trustee, the Loan Trustee, the Owner Participant, the Company and the Loan Participants any legal or equitable right, remedy or claim under or in respect of this Indenture.

Section 12.09. Severability. Any provision of this Indenture which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 12.10. No Oral Modifications or Continuing Waivers. No terms or provisions of this Indenture or the Equipment Notes may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party or other person against whom enforcement of the change, waiver, discharge or termination is sought; and any waiver of the terms hereof or of any Equipment Note shall be effective only in the specific instance and for the specific purpose given.

Section 12.11. Successors and Assigns. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, each of the parties hereto and the successors and permitted assigns of each, all as herein provided. Any request, notice, direction, consent, waiver or other instrument or action by any Loan Participant shall bind the successors and assigns of such Loan Participant.

Section 12.12. Headings. The headings of the various Articles and Sections herein and in the table of contents hereto are for the convenience of reference only and shall not define or limit any of the terms or provisions hereof.

#### ARTICLE 13

##### ACTIONS TO BE TAKEN UPON TERMINATION OF LEASE

Section 13.01. Actions to Be Taken upon Termination of Lease. Upon any of:

(a) the voluntary termination of the Lease pursuant to Section 9(a) thereof on the Lease Termination Date, and upon payment to the Loan Trustee of an amount equal to the Redemption Price of all Outstanding Equipment Notes, or

(b) the purchase of the Aircraft by the Company at its option pursuant to Section 9(e) of the Lease on the Lease Termination Date or pursuant to Section 20(b) of the Lease on the Special Purchase Option Date (unless the Company shall have elected to assume all of the rights and obligations of the Owner Trustee hereunder as provided for in Section 7.03), and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the applicable Redemption Date of all Outstanding Equipment Notes, or

(c) the termination of the Lease, on the Lease Loss Payment Date, following an Event of Loss suffered by the Airframe under circumstances where the Company does not exercise its option to substitute a Replacement Airframe therefor pursuant to Section 10(a)(i) of the Lease, and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(d) the satisfaction, discharge, defeasance and termination of the obligations under this Agreement in accordance with Section 10.01,

the Lien of this Agreement on the Indenture Estate shall terminate (except for the Lien on funds held by the Loan Trustee to pay the Equipment Notes or the Loan Trustee) and the Loan Trustee shall execute such instruments as may be

requested by the Company or the Owner Trustee to evidence such termination.

#### ARTICLE 14

##### ISSUANCE OF EQUIPMENT NOTES AFTER REDEMPTION

Section 14.01. Issuance of Equipment Notes After Redemption. Following a redemption of the Equipment Notes of any Maturity in accordance with Section 6.01(b)(2) or 6.01(b)(3), the Owner Trustee, with the consent of the Company, may issue and sell, and the Loan Trustee shall authenticate and deliver, one or more new series of Equipment Notes in an aggregate principal amount up to the aggregate principal amount of the Equipment Notes then being redeemed and having such terms and provisions (including, without limitation, interest rate, amortization schedule, maturity date and redemption provisions) as the Owner Trustee shall deem appropriate and as shall be approved by the Company; provided that if after such redemption any Equipment Notes remain outstanding, the new series of Equipment Notes:

(i) shall be denominated and payable in United States Dollars and shall not be in a principal amount greater than the Equipment Notes redeemed;

(ii) shall not rank senior in any respect to the Equipment Notes which remain outstanding; and

(iii) shall not have a maturity after or have a weighted average life longer than the Equipment Notes redeemed if any of the Equipment Notes which remain outstanding have a maturity date after or concurrent with the maturity date of the Equipment Notes redeemed; and provided further that prior to authentication of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., and Moody's Investors Service, Inc. to the effect that the issuance of such new series, by itself, would not result in a downgrading of the credit rating (if any) assigned to the Pass Through Certificates then outstanding and (ii) an Opinion of Counsel for the Company reasonably satisfactory to the Loan Trustee to the effect that the protection afforded by Section 1110 of the Bankruptcy Code to the existing Loan Participants would not be adversely affected by the issuance of such new series of Equipment Notes;

provided that such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Loan Participants with respect to the Aircraft immediately prior to such assumption; and provided further that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date.

IN WITNESS WHEREOF, the Owner Trustee and the Loan Trustee have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

WILMINGTON TRUST COMPANY, not  
in its individual capacity  
except as expressly provided  
herein, but solely as Owner  
Trustee

By\_\_\_\_\_

Name:  
Title:

STATE STREET BANK AND TRUST  
COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, as  
Loan Trustee

By\_\_\_\_\_

Name:  
Title:

Form of Pass Through Equipment Notes  
[Installment Equipment Notes]\*

No. \_\_\_\_\_

\$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AA  
WILMINGTON TRUST COMPANY,  
Not in its Individual Capacity  
but Solely as Owner Trustee Under the  
Trust Agreement (AA 1992 AF-1)  
(Redesignated AA 1995 PTC Series AA)  
Dated as of June 15, 1992

Issued in connection with Aircraft N374AA  
Leased to  
AMERICAN AIRLINES, INC.

INTEREST RATE

MATURITY DATE

8.39%

[January 2, 2017]\*  
[----]\*\*

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-1) (redesignated AA 1995 PTC Series AA), dated as of June 15, 1992, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns the principal sum of \_\_\_\_\_ DOLLARS [in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above]\* [on the Maturity Date specified above]\*\* and to pay interest [on the original principal amount hereof remaining unpaid from time to time]\* [thereon]\*\* at the rate per annum

\* Include for Installment Equipment Notes only.

\*\* Include for all non-Installment Pass Through Equipment Notes.

(Series AA)

specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment [in full].\* In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Pass Through Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this Pass Through Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Loan Participant as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Loan Trustee is or shall be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Loan Trustee and the Owner Trustee, for any liability under the Indenture.

The interest [or Installment Payment Amount]\* so payable, and punctually paid or duly provided for, on or within 5 days after the applicable Interest Payment Date [or Installment Payment Date, as the case may be],\* will, as provided in the Indenture, be paid to the Person in whose name this Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on the Record Date for payment of such interest [or Installment Payment Amount],\* which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date [or Installment Payment Date, as the case may be].\* Any such interest [or Installment Payment Amount]\* not so punctually paid or duly provided for shall forthwith cease to be

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\* Include for Installment Equipment Notes only.

payable to the registered Loan Participant on such Record Date (or to the Person in whose name this Pass Through Equipment Note is registered upon issuance) and may be paid to the Person in whose name the Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on a Special Record Date for the payment of such [Defaulted Installment or]\* Defaulted Interest to be fixed by the Loan Trustee, notice whereof shall be given to Loan Participants entitled thereto not less than 10 days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Equipment Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, Make-Whole Amount, if any, and interest on this Pass Through Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest [and Installment Payment Amounts (other than that payable on the Maturity Date hereof)]\* may be made at the option of the Loan Trustee or the Paying Agent by check mailed to the address of the Loan Participant entitled thereto as such address shall appear on the Register.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03 of the Indenture.

This Pass Through Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Pass Through Equipment Note has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Loan Trustee by the manual signature of an authorized

- -----  
\* Include for Installment Equipment Notes only.

officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions thereof, including a statement of the properties conveyed, pledged and assigned thereby, the nature and extent of the security thereby, the respective rights and obligations thereunder of the Owner Trustee, the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created thereby, to all of which terms and conditions therein each Loan Participant agrees by its acceptance of this Pass Through Equipment Note. Each holder hereof, by its acceptance of this Pass Through Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

[On each Installment Payment Date, the Loan Participant will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Pass Through Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
-----	-----
July 2, 2013	9.601024109%
July 2, 2014	25.272029016
July 2, 2015	27.394922125
January 2, 2016	0.256027310
July 2, 2016	29.443140602
January 2, 2017	8.032856838]*

\* Include for Installment Equipment Notes only.

As more fully provided in the Indenture, the Pass Through Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail and under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, Make-Whole Amount, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an event of default constitutes an event of default by the Company under the Lease, the Loan Trustee may declare the Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease.

The right of the Loan Participant to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Pass Through Equipment Note is transferable, and upon surrender of this Pass

Through Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Loan Participant or its attorney duly authorized in writing, one or more new Pass Through Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

THIS PASS THROUGH EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS PASS THROUGH EQUIPMENT NOTE WILL BE MADE UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH ACT DOES NOT APPLY.

The Pass Through Equipment Notes are issuable only as registered Equipment Notes. The Pass Through Equipment Notes are issuable in denominations of \$1,000 and integral multiples thereof except that one such Pass Through Equipment Note of each maturity does not need to be an integral multiple of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Pass Through Equipment Notes are exchangeable for an equal aggregate principal amount of Pass Through Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Pass Through Equipment Notes to be exchanged or transferred, as requested by the Loan Participant surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Pass Through Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Pass Through Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Pass Through Equipment Note and for all other purposes whatsoever whether

or not this Pass Through Equipment Note be overdue, and neither the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS PASS THROUGH EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely  
as Owner Trustee

By \_\_\_\_\_  
[Title]

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(Series AA)

## LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

8  
(Series AA)

## Form of Bank Equipment Notes

THIS BANK EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES OR SIMILAR LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE OR OTHERWISE DISPOSED OF EXCEPT WHILE SUCH REGISTRATION UNDER THE ACT AND SUCH SECURITIES AND SIMILAR LAWS IS IN EFFECT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THIS BANK EQUIPMENT NOTE IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 10 OF THE REFUNDING AGREEMENT REFERRED TO BELOW.

No. ----- \$ -----

1995 EQUIPMENT NOTES, SERIES AA  
WILMINGTON TRUST COMPANY,  
Not in its Individual Capacity  
but Solely as Owner Trustee Under the  
Trust Agreement (AA 1992 AF-1)  
(Redesignated AA 1995 PTC Series AA)  
Dated as of June 15, 1992

Issued in connection with Aircraft N374AA  
Leased to  
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
-----	-----
7.708%	January 2, 2011

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-1) (redesignated AA 1995 PTC Series AA), dated as of June 15, 1992, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to The Mitsubishi Trust and Banking Corporation, New York Branch, or regis-

(Series AA)

tered assigns the principal sum of \_\_\_\_\_ DOLLARS in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the original principal amount hereof remaining unpaid from time to time at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment in full. In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Bank Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this Bank Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Loan Participant as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Loan Trustee is or shall be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Loan Trustee and the Owner Trustee, for any liability under the Indenture.

The interest or Installment Payment Amount so payable, and punctually paid or duly provided for, on the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Bank Equipment Note (or one or more predecessor Bank Equipment Notes) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so

punctually paid or duly provided for shall be payable at the election of the Loan Trustee to the Bank Lender in whose name this Bank Equipment Note is registered in the Register on the date of such payment, all as more fully provided in the Indenture.

Payment of the principal of, Swap Breakage Loss, if any, and interest on this Bank Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Paying Agent appointed under the Indenture shall remit all such amounts so received by it via wire transfer of immediately available funds to such address and in such manner as each Bank Lender shall have designated in writing to the Paying Agent. The Paying Agent shall cause each payment to the Bank Lender hereof to be made by 4:00 p.m. on the day the Paying Agent receives such payment. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and by the time specified, the Paying Agent, in its individual capacity and not as Paying Agent, has agreed to compensate the Bank Lender holding this Bank Equipment Note for loss of use of such funds.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to this Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name this Bank Equipment Note is registered in the Register under the Indenture, under this Bank Equipment Note, and under the Participation Agreement or Refunding Agreement, the Bank Lender holding this Bank Equipment Note shall surrender this Bank Equipment Note to the Loan Trustee for cancellation.

This Bank Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Bank Equipment Note has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Owner Trustee, the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions each Bank Lender agrees by its acceptance of this Bank Equipment Note. Each holder hereof, by its acceptance of this Bank Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

On each Installment Payment Date, the Bank Lender will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Bank Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
July 2, 1995	0.157782152%
January 2, 1996	1.676715462
January 2, 1997	1.946232169
January 2, 1998	5.169113932
January 2, 1999	5.558007326
January 2, 2000	5.995960443
January 2, 2001	6.458129076
January 2, 2002	6.955921680
January 2, 2003	4.419217904
January 2, 2004	4.759851230
January 2, 2005	5.126740537
January 2, 2006	4.561226601
January 2, 2007	4.445969660
January 2, 2008	4.663928044
January 2, 2009	5.052074867
January 2, 2010	7.188067447
July 2, 2010	13.746428677
January 2, 2011	12.118642794

The final installment of principal of this Bank Equipment Note shall under all circumstances equal the entire principal balance hereof outstanding on the Maturity Date.

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, upon such notice and under the circumstances set forth in the Indenture, at the Redemption Price set forth for such circumstances therein.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an event of default constitutes an event of default by the Company under the Lease, the Loan Trustee may declare the Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease.

The right of the Bank Lender to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make-Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and in the Refunding Agreement and subject to certain limitations set forth herein and therein (including the limitations set forth in Section 10 of the Refunding Agreement), this Bank Equipment Note is transferable, and upon surrender of this Bank Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Bank Lender or his attorney duly authorized in writing, one or more new Bank Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Bank Equipment Notes are issuable only as registered Equipment Notes. The Bank Equipment Notes are issuable in denominations of not less than \$5,000,000 (or such lesser amount as shall constitute 100% of the aggregate unpaid principal amount of Bank Equipment Notes held by the Bank Lender holding such Bank Equipment Notes). As provided in the Indenture and subject to certain limitations set forth therein and in the Refunding Agreement, Bank Equipment Notes are exchangeable for an equal aggregate principal amount of Bank Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Bank Equipment Notes to be exchanged or transferred, as requested by the Bank Lender surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Bank Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Bank Lender in whose name this Bank Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bank Equipment Note and for all other purposes whatsoever whether or not this Bank Equipment Note be overdue, and neither the Owner Trustee, the Loan

Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS BANK EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

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(Series AA)

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely  
as Owner Trustee

By \_\_\_\_\_  
[Title]

8  
(Series AA)

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

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(Series AA)

## Issuance of Equipment Notes

The Pass Through Equipment Notes issued hereunder shall be issued to and shall be payable to the Pass Through Trustee under the Pass Through Trust Agreement with respect to the Grantor Trust created thereby, in each case as set forth below:

1995-A Trust

The Bank Equipment Notes issued hereunder shall be issued to and shall be payable to the Initial Bank Lender.

(Series AA)

Exhibit C to Amended and  
Restated Trust Indenture  
and Security Agreement

[TRUST AGREEMENT AND]\* INDENTURE SUPPLEMENT NO. \_\_\_\_\_ \*\*  
(AA 1995 PTC Series AA)

[Trust Agreement and]\* Indenture Supplement No. \_\_\_\_\_, dated \_\_\_\_\_, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement (AA 1992 AF-1) (redesignated AA PTC 1995 Series AA), dated as of June 15, 1992 (the "Trust Agreement"), between the Owner Trustee and \_\_\_\_\_, a \_\_\_\_\_ corporation, as Owner Participant, and STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as Loan Trustee (the "Loan Trustee") under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995 (the "Indenture"), between the Owner Trustee and the Loan Trustee.

W I T N E S S E T H:

WHEREAS, the Trust Agreement provides for the execution and delivery from time to time of supplements thereto (individually, a "Supplement" and, collectively, "Supplements"), each of which shall particularly describe the Aircraft (such term and other terms defined in the Indenture being used herein as therein defined) included in the property covered by the Trust Agreement;

WHEREAS, the Indenture provides for the execution and delivery from time to time of Supplements thereto which shall particularly describe the Aircraft and shall specifically mortgage the Aircraft to the Loan Trustee; and

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\* Include for Indenture Supplements other than Indenture Supplement No. 2.

\*\* The language of this form to be modified for any Indenture Supplements other than Indenture Supplement No. 2.

(Series AA)

WHEREAS, each of the Trust Agreement and the Indenture relates to the Aircraft and Engines described below and a counterpart of each of the Trust Agreement and the Indenture is attached to and made a part of this Trust Agreement and Indenture Supplement.

NOW, THEREFORE, in order to secure the prompt payment of the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, and interest on and all other amounts due with respect to, all Equipment Notes from time to time Outstanding and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions contained in the Indenture and in the other Operative Documents to which it is a party for the benefit of the Loan Participants, and the prompt payment of all amounts from time to time owing to the Loan Participants under the Participation Agreement and the Refunding Agreement by the Owner Trustee, the Owner Participant and the Lessee, and for the uses and purposes and subject to the terms and provisions of the Indenture, and in consideration of the premises and of the covenants contained in the Indenture, and of the acceptance of the Equipment Notes by the Loan Participants, and of the sum of \$1 paid to the Owner Trustee by the Loan Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors and assigns, for the security and benefit of the Loan Participants from time to time, a security interest in and mortgage Lien on all estate, right, title and interest of the Owner Trustee in, to and under the following described property:

AIRFRAME

One airframe identified as follows:

Manufacturer	Model	FAA Registration Number	Manufacturer's Serial Number
-----	-----	-----	-----

together with any and all Parts relating to such airframe.

## AIRCRAFT ENGINES

Two aircraft engines, each such engine having 750 or more rated takeoff horsepower or the equivalent thereof, whether or not such Engines shall be installed in or attached to the Aircraft or any other aircraft, identified as follows:

Manufacturer	Model	Serial Number
-----	-----	-----
-----		

together with all Parts relating to such engines.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, its successors and assigns, in trust for the benefit and security of the Loan Participants from time to time and for the uses and purposes and subject to the terms and provisions set forth in the Indenture.

This Supplement shall be construed as supplemental to the Indenture and to the Trust Agreement and shall form a part of each, and the Trust Agreement and the Indenture are each hereby incorporated by reference herein and each is hereby ratified, approved and confirmed.

This Supplement is being delivered in the State of New York.

This Supplement may be executed by the Owner Trustee and the Loan Trustee in separate counterparts, each of which when so executed and delivered is an original, but all such counterparts shall together constitute but one and the same Supplement.

AND FURTHER, the Owner Trustee hereby acknowledges that the Aircraft referred to above has been delivered to the Owner Trustee and is included in the Indenture Estate of the Owner Trustee covered by all the terms and conditions of

the Trust Agreement, subject to the pledge or mortgage thereof under the Indenture.

IN WITNESS WHEREOF, Wilmington Trust Company, as the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as the Loan Trustee, have caused this Supplement to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity, but solely as  
Owner Trustee

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

STATE STREET BANK AND TRUST  
COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, not  
in its individual capacity,  
except as otherwise provided,  
but solely as Loan Trustee

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

Exhibit D to  
Amended and Restated  
Trust Indenture and  
Security Agreement  
(AA 1995 PTC Series AA)

As provided for in Section 7.03 of the Trust Indenture and Security Agreement to which this is Exhibit D, such Indenture will, subject to the satisfaction of the conditions specified in such Section 7.03, be deemed to have been amended, automatically and without the requirement of further action by any Person (as defined in such Indenture) effective as of the Relevant Date (as defined in such Indenture) and so that:

(A) Section 1.01(b) thereof shall include the following defined terms (and the following definition for any such term shall be the sole definition for such term):

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aircraft" means the Airframe, together with the two Engines described in the Trust Agreement and Indenture Supplement originally executed and delivered hereunder (or any Replacement Engine substituted for any Engine hereunder), whether or not any of such initial or substituted Engines may from time to time be installed on such Airframe or may be installed on any other airframe or on any other aircraft. The term "Aircraft" shall include any Replacement Aircraft.

"Airframe" means (i) the Boeing 767-323ER aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N3744AA and Manufacturer's Serial Number 25201, subjected to the Lien hereunder pursuant to the Trust Agreement and Indenture Supplement originally executed and delivered hereunder and (ii) any and all Parts so long as the same shall be incorporated or installed in or attached to such aircraft, or so long as the same shall be subject to the Lien of this Indenture in accordance with the terms of Section 8 of Article 15 hereof after removal from such aircraft. The term Airframe shall include any Replacement Airframe substituted pursuant to Section 10(a) of Article 15 hereof. Except as otherwise set forth herein, at such time as a Replacement Airframe shall be so substituted and the Airframe for which the substitution is made shall be released from the Lien hereunder,

Trust Indenture Exhibit D (Series AA)

such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day on which dealings in Dollar deposits are carried out in the London interbank market, other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds.

"Delivery Date" means the date of the Lease Supplement covering the Aircraft, which date shall be the date on which the Aircraft was delivered by the Company to, and accepted by, the Owner Trustee under the Purchase Agreement and the Purchase Agreement Assignment and was leased to and accepted by the Company under the Lease.

"Engine" means (i) each of the two General Electric CF6-80C2B6 engines bearing manufacturer's serial numbers 695522 and 695515 relating to the Airframe and subjected to the Lien hereunder pursuant to the Trust Agreement and Indenture Supplement originally executed and delivered hereunder whether or not from time to time installed on the Airframe or installed on any other airframe or on any other aircraft and (ii) any Replacement Engine which may from time to time be substituted pursuant to Article 15 hereof or which may have been substituted pursuant to the Lease, together, in each case, with any and all Parts incorporated or installed in or attached thereto or any and all Parts removed therefrom so long as the same shall be subject to the Lien of this Indenture in accordance with the terms of Section 8 of Article 15 hereof after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted and the Engine for which substitution is made shall be released from the Lien hereunder, such replaced Engine shall cease to be an Engine hereunder.

"Event of Loss" with respect to any property means any of the following events with respect to such property: (i) loss of such property or the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or constructive total loss; (iii) the condemnation, confiscation or seizure of, or requisition of title to, or use of, such property (other than (x) a requisition for use by the government of

the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit or such government) that shall not have extended more than one year beyond the latest maturity date of any of the Outstanding Equipment Notes, unless the Company shall have declared an Event of Loss pursuant to Section 10(d) of Article 15, (y) a requisition for use by any other Government that shall not have extended beyond the latest maturity date of any of the Outstanding Equipment Notes or (z) a requisition for use by the government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which shall not have resulted in a loss of possession of the Aircraft for a period in excess of twelve consecutive months and shall not have extended beyond the latest maturity date of any of the Outstanding Equipment Notes); (iv) as a result of any rule, regulation, order or other action by the Federal Aviation Administration, the Department of Transportation or other governmental body of the United States of America or the country of registry having jurisdiction, the use of such property in the normal course of air transportation of persons shall have been prohibited for a period of six consecutive months, unless the Company, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by the Company or, in any event, if such use shall have been prohibited for a period of twelve consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by a Government in any area excluded from coverage by any insurance policy in effect with respect to the Aircraft required by the terms of Section 11 of Article 15 hereof, unless the requisition for use shall have been made by a Government and the Company shall have obtained indemnity in lieu thereof from a Government pursuant to Section 11 of Article 15; provided if such property shall be returned to the Company in usable condition prior to the date on which notice of any redemption of Equipment Notes relating to the occurrence of any such event is given pursuant to this Indenture, then such event shall, at the option of the Company, not constitute (or be deemed to be within the definition of) an Event of Loss. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"Government" means the government of any of the United States of America, Canada, France, Germany, Japan, the Netherlands, Sweden, Switzerland and the United Kingdom, and any instrumentality or agency thereof, except that for purposes of the definition of "Event of Loss", the final

sentence of Section 7(a) of Article 15, and Section 11 of Article 15, those instrumentalities and agencies included within the definition of "Government" shall be instrumentalities and agencies whose obligations bear the full faith and credit of the applicable government listed above.

"Loan Participant Liens" means Liens affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or the Indenture Estate or any interest therein as a result of (i) claims against any Loan Participant not related to the transactions contemplated by the Operative Documents and (ii) acts or omissions of any Loan Participant not related to the transactions contemplated by the Operative Documents or not permitted under the Operative Documents.

"Loss Payment Date" shall have the meaning specified therefor in Section 10(a)(ii) of Article 15 hereof.

"Manufacturer" means The Boeing Company, a Delaware corporation, and its successors and assigns.

"Operative Documents" means this Amendment, the Trust Indenture and Security Agreement, the Participation Agreement, the Purchase Agreement Assignment, the Trust Agreement and Indenture Supplement, the Bills of Sale and the Equipment Notes.

"Participation Agreement" means that certain Participation Agreement (AA 1992 AF-1), dated as of June 15, 1992, amended as of the date hereof, among the Company, the Loan Trustee, the Owner Participant, the Original Loan Participant and the Owner Trustee, as such Participation Agreement may from time to time be amended, modified or supplemented in accordance with the provisions thereof.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than (i) complete Engines or engines, (ii) any items leased by the Company and (iii) cargo containers) which may from time to time be incorporated or installed in or attached to the Airframe or any Engine.

"Permitted Air Carrier" shall have the meaning specified therefor in Section 7(b)(i) of Article 15 hereof.

"Permitted Countries" means any of the countries listed on Schedule I attached hereto.

"Permitted Liens" means Liens referred to in clauses (i) through (vii) of Section 6 of Article 15 hereof.

"Purchase Agreement" means the Purchase Agreement, dated as of June 23, 1989, between the Manufacturer and the Company (as heretofore amended, modified and supplemented), providing, among other things, for the manufacture and sale by the Manufacturer to the Company (or to financing entities designated by the Company) of certain Boeing 767 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented to the extent permitted by the terms of the Purchase Agreement Assignment and this Indenture.

"Purchase Agreement Assignment" means that certain Purchase Agreement Assignment (AA 1992 AF-1), dated as of June 15, 1992, between the Company and the Owner Trustee, as the same may be modified, amended, or supplemented from time to time pursuant to the applicable provisions thereof and in accordance with this Indenture, pursuant to which the Company assigns to the Owner Trustee certain of the Company's rights and interests under the Purchase Agreement with respect to the Aircraft, which Purchase Agreement Assignment has annexed thereto, a Consent and Agreement thereto executed by the Manufacturer, each as originally executed or as amended, modified or supplemented pursuant to the applicable provisions thereof.

"Redemption Price" means the price at which the Equipment Notes are to be redeemed, determined as of the Redemption Date, pursuant to Section 6.01 or Section 6.02, as the case may be.

"Refunding Agreement" means that certain Refunding Agreement (AA 1995 PTC Series AA), dated as of June 2, 1995, among the Company, the Owner Participant, the Owner Trustee, the Pass Through Trustee, the Original Loan Participants, the Indenture Trustee and the Loan Trustee, as such Refunding Agreement may from time to time be amended, modified or supplemented in accordance with the provisions thereof.

"Refunding Date" shall have the meaning specified therefor in Section 1(a) of the Refunding Agreement.

"Replacement Aircraft" means the Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" mean a Boeing 767-323ER aircraft or a comparable or an improved model of such aircraft of the Manufacturer (except Engines or engines from time to time installed thereon) described in a supplement to this Indenture, which shall have been substituted hereunder pursuant to Section 10(a) of Article 15 hereof, together with all Parts relating to such aircraft.

"Replacement Engine" shall mean a General Electric CF6-80C2B6 engine (or an engine of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine subject to the Lien hereunder) together with all Parts relating to such engine.

"Responsible Officer" means, (x) with respect to the Company, its Chairman of the Board, its President, any Senior Vice President, its Chief Financial Officer, any Vice President, the Treasurer or any other management employee (i) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (ii) whose responsibilities include the administration of the transactions and agreements, including this Indenture, contemplated by the Participation Agreement and the other Operative Documents and (y) with respect to the Loan Trustee, any officer in its corporate trust department, or any officer of the Loan Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"Taxes" has the meaning set forth in Section 7(c) of the Participation Agreement.

The following defined terms shall be deleted: "Basic Rent", "Excepted Property", "Lease Event of Default", "Lease Loss Payment Date", "Lease Supplement", "Lease Termination Date", "Lessor's Liens", "Rent", "Rent Schedule", "Special Termination Date", "Stipulated Loss Value", "Supplemental Rent", "Tax Indemnity Agreement", "Termination Value", "Trust Agreement" and "Trust Estate".

(B) Sections 2.02, 2.09 and 2.11 of Article 2 thereof shall read as follows:

Section 2.02. Execution and Authentication. (a) Equipment Notes shall be executed on behalf of the Company by the manual or facsimile signature of its President, any Senior Vice President, Vice President, an Assistant Vice President, its Treasurer, its Secretary, an Assistant Secretary, an Assistant Treasurer or other authorized officer.

(b) If any officer of the Company executing the Equipment Notes or attesting to the Company's seal no longer holds that office at the time the Equipment Notes are executed on behalf of the Company, the Equipment Notes shall be valid nevertheless.

(c) At any time and from time to time after the execution of the Equipment Notes, the Company may deliver such Equipment Notes to the Loan Trustee for authentication and, subject to the provisions of Section 2.10, the Loan Trustee shall authenticate the Equipment Notes by manual signature upon written orders of the Company. Equipment Notes shall be authenticated on behalf of the Loan Trustee by any authorized officer or signatory of the Loan Trustee.

(d) An Equipment Note issued after the Relevant Date shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Company by the manual or facsimile signature of the officer of the Company specified in the first sentence of Section 2.02(a) and, until authenticated on behalf of the Loan Trustee, by the manual signature of the authorized officer or signatory of the Loan Trustee. Such signatures shall be conclusive evidence that such Equipment Note has been duly executed, authenticated and issued under this Indenture.

Section 2.09. Payment by the Company. All amounts payable to the Loan Participants under the Equipment Notes and this Indenture shall be the direct obligations of the Company which the Company agrees to pay when due.

Section 2.11. Assumption of Certain Obligations. Notwithstanding any provision to the contrary contained herein, Section 2.01 and Sections 2.03 through 2.10 hereof shall be deemed amended to provide that any reference to or obligation of the Owner Trustee contained in any such Section shall after the Relevant Date be deemed to be a reference to or obligation of the Company.

(C) Article 3 thereof shall read as follows:

Section 3.01. [Intentionally Omitted]

Section 3.02. Payment in Case of Redemption of Equipment Notes. In the event the Equipment Notes are redeemed in accordance with the provisions of Section 6.01 or Section 6.02, the Loan Trustee will apply on the Redemption Date any amounts then held by it the Indenture Estate and received by it from or on behalf of the Company, in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much thereof as shall be required to pay the Redemption Price on the Outstanding Equipment Notes pursuant to Section 6.01 or Section 6.02, as the case may be, on the Redemption Date shall be applied to the redemption of the Equipment Notes on the Redemption Date;

third, so much thereof as shall be required to pay the amounts described in clause "fifth" of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, thereof remaining shall be distributed to the Company or as the Company may request.

Section 3.03. Application of Payments When No Indenture Event of Default Is Continuing. Each payment received by the Loan Trustee from Company shall, except as otherwise provided in Section 3.02, 3.04, 3.05 or 3.06, be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay in full the principal of and interest then due on all Outstanding Equipment Notes shall be distributed to the Persons entitled thereto;

second, so much of such aggregate amount remaining as shall be required to pay any amount due the Loan Trustee pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

third, so much thereof as shall be required to pay the amounts described in clause "fifth" of Section 3.05 shall be applied to pay such amounts; and

fourth the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Company.

Section 3.04. Application of Certain Payments in Case of Requisition or Event of Loss. Except as otherwise provided in Section 3.05 hereof, any amounts received directly or through the Company from any governmental authority or other Person pursuant to Section 10 of Article 15 hereof with respect to the Airframe or the Airframe and the Engines or engines then installed on the Airframe as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to said Section 10, and any amounts of insurance proceeds for damage to the Indenture Estate received directly or through the Company from any insurer pursuant to Section 11 of Article 15 hereof with respect thereto as the result of an Event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to said Section 11, shall be applied in reduction of the Company's obligations hereunder.

Section 3.05. Payments During Continuance of Indenture Event of Default. All payments received and amounts held or realized by the Loan Trustee after an Indenture Event of Default shall have occurred and be continuing (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Loan Trustee as part of the Indenture Estate while such Indenture Event of Default shall be continuing, shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expenses is liquidated) in using, operating, storing, leasing, controlling or managing the Indenture Estate, and of

all maintenance, insurance, repairs, replacements, alterations, additions and improvements, of and to the Indenture Estate and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

third, so much of such payments or amounts remaining as shall be required to pay the principal of and accrued interest on all Equipment Notes Outstanding payable to the Loan Participants then due and payable, whether by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal and interest; and in case the aggregate amount remaining shall be insufficient to pay in full the whole amount so due and unpaid, then such amount shall be applied to the payment of such principal and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts;

fourth, so much of such payments or amounts remaining as shall be required to pay the Make-Whole Amount, if any, and the Swap Breakage Loss, if any, as the case may be, then due and payable to any Loan Participant pursuant to Section 6.01 or 6.02 hereof but unpaid shall be applied ratably to the payment of such Make-Whole Amount, if any, or Swap Breakage Loss, as the case may be; and, in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant bears to the aggregate amount due all such Loan Participants under this clause fourth;

fifth, so much of such payments or amounts remaining as shall be required to pay to each Loan Participant all other amounts payable pursuant to the indemnification provisions of Section 7(b) or 7(c) of the Participation Agreement, pursuant to Section 14 of the Refunding Agreement or pursuant to any other provision of this Indenture or any Operative Document (excluding,

in any case, any amounts payable pursuant to clause " second" or "third" of this Section 3.05 or amounts constituting a Make-Whole Amount or Swap Breakage Loss) to such Bank Lender or to its predecessors and remaining unpaid shall be distributed to such Bank Lender for distribution to itself and such predecessors, as their interests may appear, and if the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Bank Lender over any other Bank Lender, in the proportion that the aggregate amount due each such Bank Lender under this clause " fifth" bears to the aggregate amount due all such Bank Lenders under this clause "fifth"; and

sixth, the balance, if any, of such payments or amounts remaining thereafter shall be held by the Loan Trustee as collateral security for the obligations secured hereby until such time as no Indenture Event of Default shall be continuing hereunder or the Equipment Notes have been accelerated and all amounts due thereon have been paid, at which time such payments or amounts shall be distributed to the Company.

Section 3.06. Payments for Which Application Is Provided in Other Documents. Except as otherwise provided in this Indenture, any payment received by the Loan Trustee for which provision as to the application thereof is made in the Participation Agreement or the Refunding Agreement shall be distributed to the Person for whose benefit such payments were made.

Section 3.07. Payments for Which No Application Is Otherwise Provided. Except as otherwise provided in Section 3.05:

(a) any payment received by the Loan Trustee for which no provision as to the application thereof is made elsewhere in this Indenture; and

(b) any payment received and amounts realized by the Loan Trustee with respect to the Aircraft to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this Indenture or for the defeasance of the Equipment Notes shall have been satisfied, as well as any other amounts remaining as part of the Indenture Estate after such satisfaction

shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts; and

second, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Company.

Section 3.08. Credit in Respect of Equipment Notes Surrendered for Cancellation. (a) In satisfaction of the Company's obligation to pay all or any part of the principal of, premium, if any, and interest on the Equipment Notes due on any date, the Company may surrender, or cause to be surrendered, Equipment Notes the principal of which is or will be due on such date to the Loan Trustee for cancellation pursuant to Section 2.07 not later than 10 Business Days prior to such date, in which case there shall be credited against the amounts so payable by the Company in respect of the Equipment Notes as of such date the aggregate principal amount as of such date of the Equipment Notes so surrendered, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as applicable, thereon as of such date and the amount of interest which would have been payable on the Equipment Notes so surrendered on such date had they not been surrendered for cancellation and had they remained outstanding.

(b) In satisfaction of the Company's obligation to pay the Redemption Price upon a redemption pursuant to Section 6.01, the Company may surrender (or cause to be surrendered) Equipment Notes the principal of which is or will be due on the related Redemption Date to the Loan Trustee for cancellation pursuant to Section 2.07 not later than 10 Business Days prior to such date, in which case there shall be credited against the amount so payable by the Company in respect of the Equipment Notes as of such date the aggregate principal amount of the Equipment Note so surrendered, Make- Whole Amount, if any, or Swap Breakage Loss, if any, as applicable, thereon as of such Note date and the amount of the interest which would have been payable on the Equipment Notes so surrendered on such date had they not been surrendered for cancellation and had they remained Outstanding.

(D) Article 4 thereof shall read as follows:

[Intentionally omitted]

(E) Article 5 thereof shall read as follows:

Section 5.01. Disposition, Substitution and Release of Property  
Included in the Indenture Estate. So long as this Indenture is in effect:

(a) Parts. Any Parts and alterations, improvements and modifications in and additions to the Aircraft shall, to the extent required by Section 8 of Article 15 hereof, become subject to the Lien of this Indenture; provided that, to the extent permitted by and as provided in Section 8 of Article 15 hereof, the Company shall have the right, at any time and from time to time, without any release from or consent by the Loan Trustee, to remove, replace and pool Parts and to make alterations, improvements and modifications in, and additions to, the Aircraft. The Loan Trustee agrees that, to the extent permitted by and as provided in this Indenture, title to any such removed or replaced Part shall vest in the Company free and clear of all rights of the Loan Trustee. The Loan Trustee shall from time to time execute an appropriate written instrument or instruments to confirm the release of the security interest of the Loan Trustee in any Part as provided in this Section 5.01, in each case upon receipt by the Loan Trustee of a Company Request stating that said action was duly taken by the Company in conformity with this Section 5.01 and that the execution of such written instrument or instruments is appropriate to evidence such release of a security interest under this Section 5.01.

(b) Substitution upon an Event of Loss Occurring to Airframe or Engines or upon Voluntary Termination with Respect to Engines . Upon (i) the occurrence of an Event of Loss with respect to the Airframe or an Engine or (ii) a voluntary termination of the Lien hereunder with respect to an Engine pursuant to Section 8(d) of Article 15 hereof, the Company may, in the case of an Event of Loss which has occurred to the Airframe, or shall, in the case of an Event of Loss which has occurred with respect to an Engine or the termination of the Lien hereunder with respect to an Engine, substitute an airframe or engine, as the case may be, in which case, upon satisfaction of all conditions to such substitution specified in Section 10 of Article 15 hereof, if applicable, the Loan Trustee shall release all of its right, interest and Lien in and to the Air-

frame or such Engine in accordance with the provisions of the following two sentences. The Loan Trustee shall execute and deliver to the Company or its designee an instrument releasing its Lien in and to the Airframe or such Engine and shall execute for recording in public offices, at the expense of the Company or such designee, such instruments in writing as the Company or such designee shall reasonably request and as shall be reasonably acceptable to the Loan Trustee in order to make clear upon public records that such Lien has been released under the laws of the applicable jurisdiction, and shall further execute such instruments as may be reasonably requested by the Company to release the Purchase Agreement and Purchase Agreement Assignment from the assignment and pledge thereof hereunder. The Company, for itself and any such designee, hereby waives and releases any and all rights existing or that may be acquired to any penalties, forfeit or damages from or against the Loan Trustee for failure to execute and deliver any document in connection with the release of a Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of a Lien, except for failure by the Loan Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by the Company or such designee.

(F) Article 6 thereof shall read as follows:

Section 6.01. Redemption of Equipment Notes upon Event of Loss. Upon the occurrence of an Event of Loss to the Aircraft if the Aircraft is not replaced pursuant to Section 10(a)(i) of Article 15 hereof, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to 100% of the outstanding principal amount of such Equipment Note plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, plus all other amounts payable to the Loan Participants. The Redemption Date for Equipment Notes to be redeemed pursuant this Section 6.01 shall be the date on which payment of the amount required to be paid pursuant to Section 10(a)(ii) of Article 15 hereof is made by the Company.

Section 6.02. Other Redemptions. (a) Upon the request of the Company, upon at least 30 days' prior notice to the Loan Trustee, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof, together with

accrued and unpaid interest thereon to, but not including, the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, but if redeemed thereafter, without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.02(a) shall be the date designated by the Company in the notice of the Company which shall be a Business Day.

(b) Upon the request of the Company (i) upon at least 30 days' prior irrevocable notice to the Loan Trustee in the case of the Pass Through Equipment Notes or (ii) upon at least five days' notice to the Loan Trustee in the case of the Bank Equipment Notes, and provided that all outstanding equipment notes then held in the same Pass Through Trust or by the same Bank Lender, as the case may be, are simultaneously being redeemed, each Outstanding Equipment Note having the maturity or being held by the Bank Lender designated by the Company in such notice shall be redeemed at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, but if redeemed thereafter without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.02(b) shall be the date designated in the notice of the Company which in the case of Equipment Notes issued on or after the Transfer Date shall be a Business Day.

Section 6.03. Notice of Redemption to Loan Participants. Notice of redemption pursuant to Section 6.01 or Section 6.02 shall be given by first-class mail, postage prepaid, mailed not less than 25 or more than 60 days prior to the Redemption Date (except that, with respect to any Bank Equipment Notes for which a shorter period of notice to the Loan Trustee is provided, written notice shall be given to each affected Bank Lender as promptly as practicable after the Loan Trustee receives such notice), to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's address appearing in the Register; provided that, in the case of a redemption to be made pursuant to Section 6.02, such notice shall be revocable and shall be deemed revoked if notice of such redemption shall have been

given in connection with a refinancing of Equipment Notes and the Loan Trustee receives written notice of such revocation from the Company not later than three Business Days prior to the Redemption Date.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,
- (3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Equipment Note, and that interest on the Equipment Notes shall cease to accrue on and after such Redemption Date, and
- (4) the place or places where such Equipment Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption of Equipment Notes to be redeemed shall be given by the Loan Trustee.

Section 6.04. Deposit of Redemption Price. On or before the Redemption Date, the Company shall, to the extent an amount equal to the Redemption Price for the Equipment Notes to be redeemed on the Redemption Date shall not then be held in the Indenture Estate, deposit or cause to be deposited with the Loan Trustee or the Paying Agent by 12:00 Noon on the Redemption Date in immediately available funds the Redemption Price of the Equipment Notes to be redeemed.

Section 6.05. Equipment Notes Payable on Redemption Date. Notice of redemption or purchase having been given as aforesaid (and not deemed revoked as contemplated in the proviso to Section 6.03), the Equipment Notes to be redeemed or purchased shall, on the Redemption Date, become due and payable, at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for such purposes pursuant to Section 2.03, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Equipment Notes then outstanding shall cease to bear interest. Promptly following payment of such Redemption Price with respect to any Bank Equipment Note, the Bank Lender holding such Bank Equipment Note shall surrender such Bank Equipment Note to the Loan Trustee. Upon surrender of any Pass Through Equipment Note for redemption or purchase in accordance with said

notice such Equipment Note shall be paid at the Redemption Price.

If any Equipment Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate in effect for such Equipment Note as of such Redemption Date.

(G) Sections 7.01, 7.02, and 7.03 thereof shall read as follows:

Section 7.01. Repayment of Monies for Equipment Note Payments Held by the Loan Trustee. Any money held by the Loan Trustee or any Paying Agent in trust for any payment of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, including without limitation any money deposited pursuant to Article 10, and remaining unclaimed for more than two years and eleven months after the due date for such payment and any money paid to the Loan Trustee pursuant to Section 11.01 of the Pass Through Trust Agreement, shall be paid to the Company; and the Loan Participants entitled to payment thereon shall thereafter, as unsecured general creditors, look only to the Company for payment thereof, and all liability of the Loan Trustee or any such Paying Agent with respect to such trust money shall thereupon cease; provided that the Loan Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each such Loan Participant notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of mailing, any unclaimed balance of such money then remaining will be repaid to the Company as provided herein.

Section 7.02. Change in Registration. The Loan Trustee shall, upon the request of the Company, consent to the deregistration of the Aircraft under the laws of the jurisdiction in which it is at the time registered and the registration of the Aircraft under the laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) Such change in registration complies with the provisions of this Indenture.

(b) No Indenture Event of Default (and no event which, with lapse of time or notice, or both, would

become an Indenture Event of Default) shall have occurred and be continuing at the date of such request or at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (i) if the change in registration results in the registration of the Aircraft under the laws of the United States of America or (ii) if the Loan Trustee in its discretion believes the change in registration would be advantageous to the Loan Participants.

(c) The Loan Trustee shall have received an opinion of counsel to the Company reasonably satisfactory to it to the effect that:

(i) after giving effect to the change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a fully perfected Lien and that all filing, recording or other action necessary to perfect and protect the Lien of the Indenture has been accomplished (or if such opinion cannot be given at the time by which the Loan Trustee has been requested to consent to a change in registration, (x) the opinion shall detail what filing, recording or other action is necessary and (y) the Loan Trustee shall have received a certificate from the Company that all possible preparation to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Loan Trustee on or prior to the effective date of the change in registration); and

(ii) the terms of this Indenture (including the governing law clauses) are legal, valid and binding and enforceable in such jurisdiction, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity and except as limited by applicable laws which may affect the remedies provided for in this Indenture, which laws, however, do not in the opinion of such counsel make the remedies provided in this Indenture inadequate for the practical realization of the rights and benefits provided hereby.

(d) The Loan Trustee shall have received assurances reasonably satisfactory to it that the insurance provisions contained in Section 11 of Article 15 hereof will have been complied with after giving effect to such change in registration.

(e) The Company shall have paid or made provision satisfactory to the Loan Trustee for the payment of all expenses connected with such change in registration.

The Loan Trustee shall execute such documents as the Company shall reasonably request in order to satisfy the above conditions and upon satisfaction of such conditions to effect the change in registration.

Section 7.03. [Intentionally Omitted]

(H) Sections 8.01, 8.02, 8.03 and 8.04 thereof shall read as follows:

Section 8.01. Indenture Events of Default. The following events shall constitute "Indenture Events of Default" under this Indenture (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Indenture Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) the Company shall fail to pay any installment of interest upon any Equipment Note, or the principal of any Equipment Note or of Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, in respect of any Equipment Note, in each case when the same shall be due and payable (whether upon redemption, final maturity, acceleration or otherwise), and, in each case, such failure shall continue for more than 15 days after the same shall have become due and payable; or

(b) the Company shall fail to carry and maintain insurance on or with respect to the Aircraft in accordance with the provisions of Section 11 of Article 15 hereof; provided that, in the case of insurance with respect to which cancellation, change or lapse for nonpayment of premium shall not be effective as to the Loan Trustee, the Bank Lenders or the Pass Through Trustee for 30 days (seven days, or such other period

as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt of notice by the Loan Trustee of such cancellation, change or lapse, no such failure to carry and maintain insurance shall constitute an Indenture Event of Default hereunder until the earlier of (i) the date such failure shall have continued unremedied for a period of 20 days (five days in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee of the notice of cancellation, change or lapse referred to in Section 11(a)(C) or 11(b)(C) of Article 15 hereof, or (ii) the date such insurance not being in effect as to the Loan Trustee or the Bank Lenders; or

(c) the Company shall operate the Aircraft at a time when public liability insurance required by Section 11(a) of Article 15 hereof shall not be in effect; or

(d) the Company shall fail to perform or observe any covenant or agreement to be performed or observed by it hereunder or under the Participation Agreement and such failure shall continue unremedied for a period of 30 days after written notice thereof has been given by the Loan Trustee; provided that, if such failure is capable of being remedied, so long as the Company is diligently proceeding to remedy such failure, no such failure shall constitute an Event of Default hereunder for a period of up to 365 days; or

(e) any material representation or warranty made by the Company in the Participation Agreement or in the Purchase Agreement (to the extent applicable to the Aircraft) or in any document or certificate furnished by the Company in connection herewith or therewith or pursuant hereto or thereto shall prove to have been incorrect in any material respect at the time made and such incorrectness shall continue to be material and shall continue unremedied for a period of 30 days after written notice thereof has been given by the Loan Trustee; or

(f) the Company shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property or the Company shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(g) the Company shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against the Company in any such proceeding, or the Company shall by voluntary petition, answer or consent, seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(h) an order, judgment, or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Company, a receiver, trustee or liquidator of the Company or of any substantial part of its property, or sequestering any substantial part of the property of the Company, and any such order, judgment or decree of appointment or sequestration shall remain in force undismitted, unstayed or unvacated for a period of 90 days after the date of entry thereof; or

(i) a petition against the Company in a proceeding under the Federal bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to the Company, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Company or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days;

provided that, notwithstanding anything to the contrary contained in this Indenture, any failure of the Company to perform or observe any covenant, condition, or agreement herein shall not constitute an Indenture Event of Default if such failure is caused solely by reason of an event referred to in the definition of "Event of Loss", so long as the Company is continuing to comply with the applicable terms of Section 10 of Article 15 hereof.

Section 8.02. Acceleration; Rescission and Annulment. If an Indenture Event of Default occurs and is continuing, the Loan Trustee, by notice to the Company, or the Loan Participants holding at least 25% in aggregate princi-

pal amount of outstanding Equipment Notes by notice to the Company and the Loan Trustee, may declare the principal of all the Equipment Notes to be due and payable. Upon such declaration, the principal of all Equipment Notes, together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal has been made or duly provided for shall be due and payable immediately, together with Swap Breakage Loss, if any, on the Bank Equipment Notes. At any time after such declaration and prior to the sale or disposition of the Indenture Estate, the Loan Participants in a majority in aggregate principal amount of all of the Outstanding Equipment Notes, by notice to the Loan Trustee and the Company, may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of, Make-Whole Amount, if any, and Swap Breakage Loss, if any, and interest thereon, at the rate prescribed therefor in such Equipment Note and interest due or past due, if any, in respect of the Outstanding Equipment Notes plus all other amounts payable to the Loan Participants, other than by reason of such acceleration, and all sums due and payable to the Loan Trustee has been deposited with the Loan Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults and Indenture Events of Default under this Indenture have been cured or waived except nonpayment of principal of, Swap Breakage Loss, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No Make-Whole Amount shall be payable on the Pass Through Equipment Notes as a result of the acceleration of the Equipment Notes.

Section 8.03. Other Remedies Available to Loan Trustee. (a) After an Indenture Event of Default shall have occurred and so long as the same shall be continuing, then and in every such case the Loan Trustee, as trustee of an express trust and as holder of a security interest in the Aircraft or Engines or otherwise, may, at its option, declare this Indenture to be in default by a written notice to the Company; and at any time thereafter, so long as the Company shall not have remedied all outstanding Events of Default, the Loan Trustee may do one or more of the following with respect to all or any part of any Airframe or any Engines as the Loan Trustee in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect; provided, however, that, during any period when the Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 7(b) of Article 15 hereof and in the possession of the United States

government or an instrumentality or agency thereof, and to the extent that any applicable law or contractual provision covering the Aircraft so requires, the Loan Trustee shall not, on account of any Indenture Event of Default, be entitled to do any of the following in such manner as to limit the Company's control (or any lessee's control, under any lease permitted by the terms of Section 7(b) of Article 15 hereof) of any Airframe or any Engines, unless at least 60 days' (or such lesser period as may then be applicable under the Military Airlift Command Program of the United States Government) prior written notice of default under this Indenture with respect to the Company's obligations hereunder shall have been given by the Loan Trustee by registered or certified mail to the Company (and, if applicable, any such lessee) with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under any contract with the Company (or any such lessee) relating to the Aircraft:

(i) cause the Company, upon the written demand of the Loan Trustee and at the Company's expense, to return promptly, and the Company shall return promptly, all or such part of any Airframe or any Engine as the Loan Trustee may so demand to the Loan Trustee or its order or the Loan Trustee, at its option, may enter upon the premises where all or any part of such Airframe or any Engine are located and take immediate possession of and remove the same (together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; provided that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held for the account of any such owner, lessor, lienor or secured party or, if owned by the Company, may, at the option of the Loan Trustee, be exchanged with the Company for an Engine) all without liability accruing to the Loan Trustee for or by reason of such entry or taking of possession or removal, whether for the restoration of damage to property caused by taking or otherwise; or

(ii) sell all or any part of any Airframe and any Engine at public or private sale, whether or not the Loan Trustee shall at the time have possession thereof, as the Loan Trustee may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of such Airframe or such Engine as the Loan Trustee, in its sole discretion, may determine,

all free and clear of any rights of the Company and without any duty to account to the Company with respect to such action or inaction or for any proceeds with respect thereto.

(b) Subject to Section 8.03(e) and Section 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Loan Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Company once at least thirty days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Loan Trustee may determine, and at any place (whether or not it be the location of the Indenture Estate or any part thereof) and time designated in the notice above referred to; provided, however, that, notwithstanding any provision herein to the contrary, the Loan Trustee shall not sell any of the Indenture Estate unless a declaration of acceleration has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further notice, and the Loan Trustee and any Loan Participant may bid and become the purchaser at any such sale. The Loan Trustee may exercise such right without possession or production of the Equipment Notes or proof of ownership thereof, and as representative of the Loan Participants may exercise such right without notice to the Loan Participants or including the Loan Participants as parties to any suit or proceeding relating to foreclosure of any property in the Indenture Estate. The Company hereby irrevocably constitutes the Loan Trustee the true and lawful attorney-in-fact of the Company (in the name of the Company or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the Lien created under this Indenture, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Loan Trustee may consider necessary or appropriate, with full power of substitution, the Company hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Loan Trustee or any purchaser, the Company shall ratify and con-

firm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and such proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) Subject to Section 8.03(e) and 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Company shall, at the request the Loan Trustee, promptly execute and deliver to the Loan Trustee such instruments of title or other documents as the Loan Trustee may deem necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Indenture Estate. If the Company shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee shall be entitled, in a proceeding to which the Company will be a necessary party, to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Loan Trustee the right to immediate possession and requiring the Company to execute and deliver such instruments and documents to the Loan Trustee. The Loan Trustee shall also be entitled to pursue all or any part of the Indenture Estate wherever it may be found and may enter any of the premises of the Company or any other Person wherever the Indenture Estate may be or is supposed to be and search for the Indenture Estate and take possession of any item of the Indenture Estate pursuant to this Section 8.03(c). The Loan Trustee may, from time to time, at the expense of the Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Indenture Estate, as it may deem proper. In each such case, the Loan Trustee shall have the right to use, operate, store, lease, control or manage the Indenture Estate, and to exercise all rights and powers of the Company relating to the Indenture Estate as the Loan Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, leasing, control or management of the Indenture Estate or any part thereof; and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents, issues, profits, products, revenues and other income of the Indenture Estate and every part thereof, without prejudice, however, to the right of the Loan Trustee under any provision of this Indenture to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls,

rents, issues, profits, products, revenues and other income shall be applied to pay all expenses of using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Company in accordance with this Section 8.03(c)), and all other payments which the Loan Trustee may be required or authorized to make under any provision of this Indenture, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Loan Trustee, and of all Persons properly engaged and employed by the Loan Trustee.

If an Indenture Event of Default occurs and is continuing and the Loan Trustee shall have obtained possession of or title to the Aircraft, the Loan Trustee shall not be obligated to use or operate the Aircraft or cause the Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of the Aircraft by any other Person unless (i) the Loan Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all liability for loss or damage to the Aircraft and for public liability and property damage resulting from use or operation of the Aircraft and (ii) funds are available in the Indenture Estate to pay for all such insurance or, in lieu of such insurance, the Loan Trustee is furnished with indemnification from the holders of the Equipment Notes or any other Person upon terms and in amounts satisfactory to the Loan Trustee in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Section 8.03(e) and 8.03(h), the Loan Trustee may proceed to protect and enforce this Indenture and the Equipment Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate or any part thereof, or for the recovery in judgment for the

indebtedness secured by the Lien created under this Indenture or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(e) Notwithstanding any provision of this Indenture to the contrary, including, without limitation, Sections 8.03(b), 8.03(c) and 8.03(d), so long as no Indenture Event of Default shall have occurred and be continuing, the Loan Trustee shall not take any action contrary to, or disturb, the Company's rights to possession and use of, and quiet enjoyment of, the Aircraft.

(f) Each and every right, power and remedy herein given to the Loan Trustee specifically or otherwise in this Indenture shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Company or to be an acquiescence therein.

(g) Notwithstanding any provision hereof, if any payment of principal of any Equipment Note shall not be made when and as the same shall become due and payable, or if any payment of interest on any Equipment Note shall not be made when and as the same shall become due and payable, and such failure shall continue for the period prescribed in Section 8.01(a), the Loan Trustee shall be entitled to recover judgment, in its own name and as trustee of an express trust, upon the Equipment Note for the whole amount of such principal or interest, as the case may be, remaining unpaid.

(h) Notwithstanding anything contained herein, so long as the Pass Through Trustee is the registered holder of any Equipment Note hereunder, the Loan Trustee is not authorized or empowered to acquire title to all or any portion of the Indenture Estate or take any action with respect to all or any portion of the Indenture Estate so acquired by it if such acquisition or action would cause any Pass Through Trust to fail to qualify as a "grantor trust" for Federal income tax purposes.

Section 8.04. Waiver of Company. To the extent now or at any time hereafter enforceable under applicable law, the Company covenants that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Indenture Estate or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of the Company acquiring any interest in or title to the Indenture Estate or any part thereof subsequent to the date of this Indenture, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Loan Trustee, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

The Loan Trustee may maintain such a proceeding even if it does not possess any of the Equipment Notes or does not produce any of them in the proceeding. A delay or omission by the Loan Trustee or any Loan Participant in exercising any right or remedy accruing upon an Indenture Event of Default under this Indenture shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

(I) Section 9.11 thereof shall read as follows:

Section 9.11. Assumption of Certain Obligations. Notwithstanding any provision to the contrary contained herein, any reference in this Article 9 to the Owner Trustee or to any obligation of the Owner Trustee shall be deemed to be a reference to the Company or to an obligation of the Company, as the case may be, any reference to "Lease Event of Default" shall be deemed to be a reference to an "Indenture Event of Default," all provisions requiring notices to the Owner Trustee or the Owner Participant shall be deemed to be deleted for the purposes of this Article 9 and any provision in this Article 9 requiring the action or consent

of the Owner Trustee shall be deemed to require the action or approval of the Company.

(J) Sections 10.01 and 10.04 thereof shall read as follows:

Section 10.01. Satisfaction and Discharge of Agreement; Defeasance; Termination of Obligations. Subject to Section 10.02, this Indenture shall cease to be of further effect, and the Company and the Loan Trustee shall be deemed to have been discharged from their respective obligations with respect to the Equipment Notes (and the Loan Trustee, on demand and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture in respect of the Equipment Notes), when

(a) (i) all Equipment Notes theretofore executed and delivered (other than (A) Equipment Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.06 and (B) Equipment Notes for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been delivered to the Loan Trustee for cancellation; or

(ii) all Equipment Notes not theretofore delivered to the Loan Trustee for cancellation have become due and payable (whether upon stated maturity, as a result of redemption or upon acceleration), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of the deposit referred to below) at maturity within one year, and there has been deposited with the Loan Trustee in trust for the purpose of paying and discharging the entire indebtedness of the Equipment Notes not theretofore cancelled by the Loan Trustee or delivered to the Loan Trustee for cancellation, an amount in cash sufficient without reinvestment thereof to discharge such indebtedness, including the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes to the date of such deposit (in the case of Equipment Notes which have become due and payable), or to the maturity thereof, as the case may be, plus all other amounts payable to the Loan Participants; or

(iii) (A) the Company has deposited or caused to be deposited irrevocably (except as provided in Section 10.04) with the Loan Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Loan Participants, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this clause) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Loan Trustee, to pay and discharge each installment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case maybe, and interest on the Outstanding Equipment Notes on the dates such payments of principal or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of such deposit) and no Indenture Event of Default or Indenture Default under any of Sections 8.01(f) through 8.01(i) hereof shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date; provided further that, upon the making of the deposit referred to above in clause (A), the right of the Company to cause the redemption of Equipment Notes (except redemption in respect of which irrevocable notice has theretofore been given) shall terminate;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default under, this Indenture or a default or event of default under any other agreement or instrument to which the Company is a party or by which it is bound; and

(C) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Loan Participants will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise by the Company of its option under this Section 10.01(a)(iii) and will be subject to Federal income tax on the same amount and in the same manner and

at the same time as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable hereunder have been paid; and

(c) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Indenture contemplated by this Section 10.01 have been complied with.

Section 10.04. Monies to Be Returned to the Company. The Loan Trustee and any Paying Agent shall promptly pay or return to the Company upon request of the Company any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 for which money or U.S. Government Obligations have been deposited pursuant to Section 10.01.

(K) Sections 11.01, 11.02 and 11.06 thereof shall read as follows:

Section 11.01. Amendments to This Agreement Without Consent of Loan Participants. The Company and the Loan Trustee may enter into one or more agreements supplemental hereto without the consent of any Loan Participant for any of the following purposes:

(1) (a) to cure any defect or inconsistency herein or in the Equipment Notes or to make any change not inconsistent with the provisions hereof (provided that such change does not adversely affect the interests of any Loan Participant) or (b) to cure any ambiguity or correct any mistake;

(2) to evidence the succession of another corporation to the Company, or to evidence (in accordance with Article 9) the succession of a new trustee hereunder, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees;

(3) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action

shall not adversely affect the interests of the Loan Participants;

(4) to correct or amplify the description of any property at any time subject to the Lien of this Indenture or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Indenture or to subject to the Lien of this Indenture the Airframe or Engines or airframe or engines substituted for the Airframe or Engines in accordance herewith;

(5) to add to the covenants of the Company, for the benefit of the Loan Participants, or to surrender any rights or power herein conferred upon the Company;

(6) to add to the rights of the Loan Participants; or

(7) to include on the Equipment Notes any legend as may be required by law.

Section 11.02. Amendments to This Indenture with Consent of Loan Participants. (a) With the written consent of the Loan Participants holding a majority of the aggregate principal amount of the Outstanding Equipment Notes, the Company and the Loan Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Indenture or of any such supplemental agreements or to modify the rights of the Loan Participants; provided, however, that without the consent of each Loan Participant affected thereby, an amendment under this Section 11.02 may not:

(1) reduce the principal amount of, any Installment Payment Amount payable with respect to, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note is due or payable; or

(3) create any Lien on the Indenture Estate prior to or pari passu with the Lien thereon under this Indenture except such as are permitted by this Indenture, or deprive any Loan Participant all or any part of the benefit of the Lien on the Indenture Estate created by this Indenture; or

(4) reduce the percentage in principal amount of the Outstanding Equipment Notes, the consent of whose holders is required for any such supplemental agreement, or the consent of whose holders are required for any waiver (of compliance with certain provisions of this Indenture or of certain defaults hereunder or their consequences) provided for in this Indenture; or

(5) make any change in Section 8.05 or 8.08 or this Section 11.02(a);  
or

(6) change the definition of "Indenture Estate" or the amounts secured thereby.

(b) It is not necessary under this Section 11.02 for the Loan Participants to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Company and the Loan Trustee of any supplemental agreement pursuant to the provisions of this Section 11.02, the Company shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Loan Participants, as the names and addresses of such Loan Participants appear on the Register. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 11.06. Amendments, Waivers, etc. of Other Operative Documents.

(a) Without the consent of the Loan Participants holding a majority in principal amount of Outstanding Equipment Notes, the parties to the Participation Agreement may not modify, amend or supplement said agreement, or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder; provided, however, that the actions specified in subsection (b) of this Section 11.06 may be taken without the consent of the Loan Trustee or any Loan Participant.

(b) Subject to the provisions of subsection (c) of this Section 11.06, the parties to the Participation Agreement at any time and from time to time without the consent of the Loan Trustee or of any Loan Participant may:

(1) [Intentionally Omitted]

(2) [Intentionally Omitted]

(3) modify, amend or supplement the Participation Agreement, or give any consent, waiver, authorization or approval with respect thereto, except that without the consent of the Loan Participants holding a majority in principal amount of Outstanding Pass Through Equipment Notes, the parties to the Participation Agreement shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Participation Agreement as in effect on the Refunding Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants holding the Pass Through Equipment Notes), Section 8, Section 10, Section 13, Section 16(b) and, to the extent the Loan Participants holding the Pass Through Equipment Notes would be adversely affected thereby, Section 16(c) and Section 17 and any definition of terms used in the Participation Agreement, to the extent that any modification of such definition would result in a modification of the Participation Agreement not permitted pursuant to this subsection (b); and

(4) modify, amend or supplement said agreement in order to cure any ambiguity, a correct or supplement any provisions thereof which may be defective or inconsistent with any other provision thereof or of any provision of this Indenture, or to make any other provision with respect to matters or questions arising thereunder or under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided the making of any such other provision shall not adversely affect the interests of the Loan Participants.

(c) [Intentionally Omitted]

(L) Sections 12.01, 12.02 and 12.06 thereof shall read as follows:

Section 12.01. Notices. (a) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Indenture shall be in English and in writing, and any such notice may be given by United States mail, courier service, telegram, telex, teletype, facsimile, or electronic mail.

telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telemesssage, telecopy, telefax, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid,

if to the Company, to:

American Airlines, Inc.  
P.O. Box 619616  
4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155  
  
Attention: Senior Vice President-Finance  
Telex: 73-0613  
Answerback: AMAIR DFWDAL  
Facsimile: (817) 963-4318  
Telephone: (817) 963-1234

if to the Loan Trustee, to:

State Street Bank and Trust Company of  
Connecticut, National Association  
c/o State Street Bank and Trust Company  
Two International Place -- 4th Floor  
Boston, Massachusetts 02110  
  
Attention: Corporate Trust Department  
(AA 1995 PTC Series AA)  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

(c) Any notice or communication to Loan Participants shall be mailed by first-class mail to the addresses for Loan Participants shown on the Register kept by the Registrar and to addresses filed with the Loan Trustee for other Loan Participants. Failure so to mail a notice or communication or any defect in such notice or communication shall not affect its sufficiency with respect to other Loan Participants.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it is conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Loan Participants, it shall mail a copy to the Loan Trustee and to each Paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Loan Trustee shall be deemed to be given only when received by a Responsible Officer of the Loan Trustee.

Section 12.02. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Loan Trustee to take any action under this Indenture, the Company shall furnish to the Loan Trustee:

(1) a Certificate of a Responsible Officer of the Company stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent having been complied with.

Section 12.06. No Recourse Against Others. No director, officer, employee or stockholder, as such, of the Company shall have any liability for any obligations of the Company under this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Loan Participant by accepting an Equipment Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Equipment Notes.

(M) Article 13 thereof shall read as follows:

#### ARTICLE 13

##### ACTIONS TO BE TAKEN UPON REDEMPTION AND UPON SATISFACTION OF OBLIGATIONS HEREUNDER

Section 13.01. Actions to Be Taken upon Redemption and upon Satisfaction of Obligations Hereunder. Upon any of

(a) an Event of Loss suffered by the Airframe under circumstances where the Company does not exercise its option to substitute a Replacement Airframe therefor pursuant to Section 10(a)(i) of Article 15 hereof, and upon payment to the Loan Trustee of an amount equal

to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(b) a redemption of all Outstanding Equipment Notes pursuant to Section 6.02, and upon the payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(c) satisfaction and discharge, defeasance and termination of the obligations under this Indenture in accordance with Section 10.01 hereof,

the Lien of this Indenture on the Indenture Estate shall terminate (except for the Lien on funds held by the Loan Trustee to pay the Equipment Notes or the Loan Trustee) and the Loan Trustee shall execute such instruments as may be reasonably requested by the Company to evidence such termination.

(N) Article 14 thereof shall read as follows:

#### ARTICLE 14

Section 14.01. Issuance of Equipment Notes After Redemption. Following a redemption of the Equipment Notes of any Maturity in accordance with Section 6.02(b) hereof the Company may issue and sell and the Loan Trustee shall authenticate, one or more new series of Equipment Notes in an aggregate principal amount up to the aggregate principal amount of the Equipment Notes then being redeemed and having such terms and provisions (including, without limitation, interest rate, amortization schedule, maturity date and redemption provisions) as the Company shall deem appropriate; provided that if after such redemption any Equipment Notes remain outstanding the new series of Equipment Notes:

(i) shall be denominated and payable in United States Dollars and shall not be in a principal amount greater than the Equipment Notes redeemed;

(ii) shall not rank senior in any respect to the Equipment Notes which remain outstanding; and

(iii) shall not have a maturity after or have a weighted average life longer than the Equipment Notes redeemed if any of the Equipment Notes remain outstanding have a maturity date after or concurrent with the maturity date of the Equipment Notes redeemed; and

provided further, that prior to authentication and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Rating Group, a division of McGraw-Hill, Inc. and Moody's Investors Service, Inc. to the effect that the issuance of such new series, by itself, would not result in a downgrading of the credit rating assigned to the Pass Through Certificates then outstanding (if any), and (ii) an Opinion of Counsel for the Company reasonably satisfactory to the Loan Trustee to the effect that the protection afforded by Section 1110 of the Bankruptcy Code to the existing Loan Participants would not be adversely affected by the issuance of such new series of Equipment Notes; provided that such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Loan Participants with respect to the Aircraft immediately prior to such Assumption; and provided further, that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date.

(0) The Indenture shall include the following Article 15:

This Article 15 consists of Sections 6, 7, 8, 10, 11, 12, 17, 24, 27, 28, 29 and 30. Sections 1 through 5, 9, 13 through 16, 18 through 23, 25 and 26 are intentionally omitted.

Section 6. Liens. The Company will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Airframe or any Engine, title thereto or any interest therein except (i) the respective rights of the Loan Trustee and the Company as herein provided and the Lien created hereunder, and the rights of each Loan Participant, the Loan Trustee and the Pass Through Trust Trustee under this Indenture, the Participation Agreement, the Refunding Agreement and the Pass Through Trust Agreements, (ii) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 7(b) and 8(b) of this Article, (iii) Loan Participant Liens and Trustee's Liens, (iv) Liens for Taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course

of business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (vi) Liens arising out of judgments or awards against the Company with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review and (vii) salvage or similar rights of insurers under insurance policies maintained pursuant to Section 11 of this Article. The Company will promptly, at its own expense, take such action as may be necessary duly to discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

Section 7. Registration, Maintenance and Operation; Possession; Insignia. (a) Registration, Maintenance and Operation. The Company, at its own cost and expense, shall:

(i) cause the Aircraft at all times to be duly registered, under the laws of the United States, in the name of the Company, as owner, except as otherwise required by the Federal Aviation Act; provided that the Loan Trustee shall execute and deliver all such documents as the Company shall reasonably request for the purpose of effecting and continuing such registration. Notwithstanding the preceding sentence, but subject always to the terms and conditions set forth in Section 7.02 of this Indenture, the Company may cause the Aircraft to be duly registered under the laws of any jurisdiction in which a lessee pursuant to Section 7(b)(ix) of this Article could be principally based and shall thereafter maintain such registration unless and until changed as provided herein and therein; and the Loan Trustee will cooperate with the company in effecting such foreign registration;

(ii) maintain, service, repair, overhaul and test the Aircraft in accordance with a maintenance program (as approved by the Federal Aviation Administration) for Boeing 767-300 series aircraft (or, at the Company's option, (x) in the event that the Aircraft is re-registered in another jurisdiction pursuant to Section 7(a)(i) of this Article, in accordance with an aircraft maintenance program approved by the central civil aviation authority of the jurisdiction of such

registration or (y) in the event of any lease to a foreign air carrier in accordance with Section 7(b)(ix) of this Article, approved by the central civil aviation authority of one of the jurisdictions specified in clause (y) of such Section 7(b)(ix)) and in the same manner and with the same care used by the Company with respect to comparable aircraft and engines owned or operated by the Company and utilized in similar circumstances so as to keep the Aircraft in as good operating condition as when delivered to the Company by the Manufacturer, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times (other than during temporary periods of storage in accordance with applicable regulations or during periods of grounding by applicable governmental authorities, except where such periods of grounding are the result of the failure by the Company to maintain the Aircraft as otherwise required herein) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction and in compliance with all applicable manufacturer's alert service bulletins;

(iii) maintain, in the English language, all records, logs and other materials required by the appropriate authorities in the jurisdiction where the Aircraft is registered to be maintained in respect of the Aircraft; and

(iv) promptly furnish to the Loan Trustee such information as may be required to enable the Loan Trustee to file any reports, returns or statements required to be filed by the Loan Trustee with any governmental authority because of the Loan Trustee's interest in the Aircraft.

The Company agrees that the Aircraft will not be maintained, used or operated in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority; provided that the Company shall not be in default under this sentence if it is not possible for it to comply with the laws of a jurisdiction other than the United States (or other than any jurisdiction in which the Aircraft is then registered) because of a conflict with the applicable laws of the United States (or such jurisdiction in which the Aircraft is then registered). In the event that any such

law, rule, regulation or order requires alteration of the Aircraft, the Company will conform thereto or obtain conformance therewith at no expense to the Loan Trustee and will maintain the Aircraft in proper operating condition under such laws, rules, regulations and orders; provided, however, that the Company may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect the Loan Trustee, the Aircraft, the Loan Participants or the Lien of this Indenture. The Company also agrees not to operate or locate the Aircraft, or suffer the Aircraft to be operated or located, (i) in any area excluded from coverage by any insurance required by the terms of Section 11 of this Article, except in the case of a requisition for use by any Government where the Company obtains indemnity pursuant to Section 11 of this Article in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 of this Article in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 of this Article covering such area, or (ii) in any war zone or recognized or, in the Company's judgment, threatened area of hostilities unless covered by war risk insurance in accordance with Section 11 of this Article, but only so long as the same remains in effect while the Aircraft is so operated or located, or unless the Aircraft is operated or used under contract with any Government entered into pursuant to Section 11 of this Article, under which contract such Government assumes liability for any damage, loss, destruction or failure to return possession of the Aircraft at the end of the term of such contract or for injury to persons or damage to property of others.

(b) Possession. The Company will not, without the prior written consent of the Loan Trustee, lease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided that, so long as no Indenture Event of Default shall have occurred and be continuing, and so long as the action to be taken shall not deprive the Loan Trustee of the perfected lien of this Indenture on the Airframe or (subject to the subclause (B) of the "provided further" clause to subsection (i) of this Section 7(b)) any Engine, and in any event, so long as the company shall comply with the provisions of Section 11, the Company may, without the prior consent of the Loan Trustee:

(i) subject the Airframe to normal interchange agreements or any Engine to normal interchange or pooling agreements or arrangements in each case customary

in the airline industry and entered into by the Company in the ordinary course of its business with any other United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority or with any "foreign air carrier" (as such term is defined in such Act) as to which there is in force a permit issued pursuant to Section 402 of said Act (any such United States certificated air carrier and any such foreign air carrier being hereinafter called a "Permitted Air Carrier"); provided that no transfer of the registration of such Airframe shall be effected in connection therewith; and provided, further, that (A) no such agreement or arrangement contemplates or requires the transfer of title to the Airframe and ( B) if the Company's title to any such Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and the Company shall comply with Section 10(b) of this Article in respect thereof;

(ii) deliver possession of the Airframe or any Engine to the manufacturer thereof for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on the Airframe or such Engine or any part thereof or for alterations or modifications in or additions to the Airframe or such Engine to the extent required or permitted by the terms of Section 7(a) or 8(c) of this Article;

(iii) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to a sublease, contract or other instrument, a copy of which shall be furnished to the Loan Trustee;

(iv) transfer possession of the Airframe or any Engine to the United State of America or any instrumentality or agency thereof in accordance with applicable laws, rulings, regulations or orders (including, without limitation, the Civil Reserve Air Fleet Program authorized under 10 U.S.C. Section 9511 et seq. or any substantially similar program);

(v) install an Engine on an airframe owned by the Company free and clear of all Liens, except (A) those of the type permitted under clauses (i), (iii), (iv), (v), (vi) and (vii) of Section 6 of this Article and those which apply only to the engines (other than En-

gines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety) and (B) the rights of other Permitted Air Carriers under normal interchange agreements which are customary in the airline industry and do not contemplate, permit or require the transfer of title to the airframe or engines installed thereon;

(vi) install an Engine on an airframe leased to the Company or owned by the Company subject to a conditional sale or other security agreement; provided that (A) such airframe is free and clear of all Liens except the right of the parties to the lease or conditional sale or other security agreement covering such airframe and except Liens of the type permitted by clauses (A) and (B) of subparagraph (v) of this paragraph of Section 7(b) of this Article and (B) the Company shall have obtained from the lessor or secured party of such airframe a written agreement (which may be the lease or conditional sale or other security agreement covering such airframe), in form and substance satisfactory to the Loan Trustee (it being understood that an agreement from such lessor or secured party substantially in the form of the final sentence of the penultimate paragraph of this Section 7(b) of this Article shall be deemed to be satisfactory to the Loan Trustee), whereby such lessor or secured party expressly agrees that neither it nor its successors or assigns will acquire or claim any right, title or interest in any Engine by reason of such Engine being installed on such airframe at any time while such Engine is subject to the lien of the Trust Indenture;

(vii) install an Engine on an airframe owned by the Company, leased to the Company or owned by the Company subject to a conditional sale or other security agreement under circumstances where neither subparagraph (v) nor subparagraph (vi) of this Section 7(b) of this Article is applicable; provided that such installation shall be deemed an Event of Loss with respect to such Engine and the Company shall comply with Section 10(b) of this Article in respect thereof, the Loan Trustee not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by the Company with such Section 10(b) of this Article;

(viii) lease any Engine or the Airframe and Engines or engines then installed on the Airframe to any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or successor provision that gives like authority;

(ix) lease any Engine or the Airframe and Engines or engines then installed on the Airframe to (A) any foreign air carrier that is principally based in and a domiciliary of a country (other than Cuba, El Salvador, Iran, Iraq, Lebanon and Libya) that is at the inception of the lease a party to the Mortgage Convention, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Schedule I hereto, or (C) any foreign air carrier not described in clause (A) or (B) above; provided that (w) in the case only of a lease to a foreign air carrier under clause (C) above, the Loan Trustee receives at the time of such lease an opinion of counsel to the Company (which counsel shall be reasonably satisfactory to the Loan Trustee) to the effect that (a) the terms of the lease and the Operative Documents are legal, valid, binding and enforceable in the country in which such air carrier is principally based, to substantially the same extent as the Operative Documents are at that time enforceable in the United States, (b) it is not necessary for the Loan Trustee to qualify to do business in such country solely as a result of the proposed lease, (c) there is no tort liability of the Loan Trustee as a result of the Lien of this Indenture under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on the Loan Trustee under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Loan Trustee, such opinion shall be waived if insurance reasonably satisfactory to the Loan Trustee is provided by the Company to cover the risk of such liability), (d) the laws of such country require fair compensation by the government of such country for the loss of the use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Company shall have agreed to provide insurance reasonably satisfactory to the Loan Trustee covering the risk of requisition of use of the Aircraft by the government of such jurisdiction so long as the aircraft is leased in such country), and (e) there exist no possessory rights in favor of such lessee under the laws of such country which would, upon

bankruptcy of or other default by the Company or the lessee, prevent the return of such Engine or the Airframe and such Engine or engine to the Loan Trustee in accordance with and when permitted by the terms of this Indenture upon the exercise by the Loan Trustee of its remedies under this Indenture (x) in the case only of a lease to a foreign air carrier under clause (C) above, the Loan Trustee receives assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Company shall have agreed to provide the requisition insurance described in subclause (d) of clause (w) above), (y) in the case of any lease to a foreign air carrier, either the lease, or an arrangement existing between the Company, the lessee and/or one or more third parties that provide maintenance services, provides that the Aircraft will be maintained, serviced, repaired, overhauled and tested in accordance with maintenance standards for Boeing 767-300 series aircraft approved by, or substantially similar to those approved or required by, the Federal Aviation Administration or the central civil aviation authority of any of Brazil, Canada, France, The Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, Switzerland or the United Kingdom and (z) in the case of any lease to a foreign air carrier (other than a foreign air carrier principally based in Taiwan) the United States of America maintains diplomatic relations with the country in which such foreign air carrier is principally based at the time such lease is entered into;

provided that the rights of any transferee who receives possession by reason of a transfer permitted by this Section 7(b) (other than the transfer of an Engine which is deemed an Event of Loss) shall be subject and subordinate to, and any lease permitted by this Section 7(b) shall be made expressly subject and subordinate to, all the terms of this Indenture, including, without limitation, the Loan Trustee's rights to repossession pursuant to Article 8 hereof and to avoid such lease upon such repossession and the Loan Trustee's rights to possession pursuant to Section 8.03 of this Indenture, and the Company shall in all events remain primarily liable hereunder for the performance and observance of all of the terms and conditions of this Indenture to the same extent as if such lease or transfer had not occurred, and any such lease shall include appropriate provisions for the maintenance (subject to clause (y) of the proviso to Section 7(b)(ix) of this Article) and insurance of the Aircraft. The Company shall not lease the Air-

craft to an air carrier that at the inception of the lease is subject to bankruptcy, insolvency or other similar proceedings unless the lease shall have been approved by the receiver, liquidator, conservator, court or other governmental or administrative authority or entity responsible for the adjudication or administration of such proceedings. No interchange agreement, pooling agreement, lease or other relinquishment of possession of the Airframe or any Engine shall in any way discharge or diminish any of the Company's obligations to the Loan Trustee hereunder or under the Participation Agreement. With the prior written consent of the Loan Trustee, the Company may sublease the Airframe or Engines in connection with a transaction that involves such a sublease commencing at the inception of the transaction. The Loan Trustee hereby agrees, for the benefit of the lessor or secured party of any airframe leased by the Company or owned by the Company subject to a conditional sale or other security agreement, that the Loan Trustee will not acquire or claim, as against such lessor or secured party, any right, title or interest in any engine or engines owned by the lessor under such lease or subject to a security interest in favor of the secured party under such conditional sale or other security agreement as the result of such engine or engines being installed on the Airframe at any time while such engine or engines are subject to such lease or conditional sale or other security agreement.

The Loan Trustee acknowledges that any "wet lease" or other similar arrangement under which the Company maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 7(b).

(c) Insignia. The Company agrees to at all times maintain in the cockpit of the Airframe adjacent to the airworthiness certificate therein and (if not prevented by applicable law or regulations or by any governmental authority) on each Engine a nameplate bearing the inscription "STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE, MORTGAGEE" (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Loan Trustee).

Section 8. Replacement and Pooling of Parts; Alterations, Modifications and Additions. (a) Replacement of Parts. The Company, at its own cost and expense, will promptly replace all Parts which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond

repair or rendered permanently unfit for use for any reason whatsoever, except as otherwise provided in Section 8(c) of this Article. In addition, the Company may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use; provided that the Company, except as otherwise provided in Section 8(c) of this Article, will, at its own cost and expense, replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all Liens (except for pooling arrangements to the extent permitted by Section 8(b) of this Article and Permitted Liens) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from the Airframe or any Engine shall remain subject to the Lien of this Indenture, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the Airframe or such Engine and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Airframe or any Engine as above provided without further act, (i) title to the replaced Part shall thereupon be free and clear of all rights of the Loan Trustee, and shall no longer be deemed a Part hereunder, (ii) title to such replacement Part shall thereupon be subject to the Lien of this Indenture, free and clear of all Liens (except for Permitted Liens) and (iii) such replacement Part shall become subject to this Indenture and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Parts originally incorporated or installed in or attached to the Airframe or such Engine.

(b) Pooling of Parts. Any Part removed from the Airframe or any Engine as provided in Section 8(a) of this Article may be subjected by the Company to a normal pooling arrangement customary in the airline industry entered into in the ordinary course of the Company's business with Permitted Air Carriers; provided that the Part replacing such removed Part shall be incorporated or installed in or attached to the Airframe or such Engine in accordance with Section 8(a) of this Article as promptly as practicable after the removal of such removed Part. In addition, any replacement Part, when incorporated or installed in or attached to the Airframe or any Engine in accordance with Section 8(a) of this Article, may be owned by a Permitted Air

Carrier subject to such a normal pooling arrangement; provided that the Company, at its expense, as promptly thereafter as is practicable, either (i) causes title to such replacement Part to vest in the Company free and clear of all Liens except Permitted Liens, at which time such replacement Part shall, in accordance with Section 8(a) of this Article, become a Part and become subject to the Lien of this Indenture or (ii) replaces such replacement Part by incorporating or installing in or attaching to the Airframe or such Engine a further replacement Part owned by the Company free and clear of all Liens (other than Permitted Liens), which shall without further act be subject to the Lien of this Indenture.

(c) Alterations, Modifications and Additions. The Company, at its own expense, will make such alterations and modifications in and additions to the Airframe and the Engines as may be required from time to time to meet the standards of the Federal Aviation Administration or other governmental authority having jurisdiction in any country in or over which the Aircraft is flown, provided, however, that the Company may, in good faith, contest the validity or application of any such standard in any reasonable manner which does not materially adversely affect the Loan Trustee or the Lien of this Indenture, but only so long as such proceedings do not involve any material danger of criminal liability or material danger of civil liability to the Loan Trustee, or a material danger of the sale, forfeiture or loss of the Aircraft or any Engine or any interest therein. In addition, the Company, at its own expense, may from time to time make or cause to be made such alterations and modifications in and additions to the Airframe or any Engine as the Company may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts; provided that no such alterations, modification, additional or removal shall materially diminish the value or utility of the Airframe or such Engine or of the Aircraft, or materially impair the condition or airworthiness thereof, below the value, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or removal assuming the Airframe or such Engine was then of the value and utility and in the condition and airworthiness required to be maintained by the terms of this Indenture, except that the value (but not the utility, condition or airworthiness) of the Aircraft may be reduced by the value of Parts which the Company deems obsolete or no longer suitable or appropriate for use in the Airframe or any Engine which shall have been removed, if the aggregate value of such obsolete or unsuitable Parts removed from the Aircraft and not replaced shall not exceed \$500,000. All Parts in-

corporated or installed in or attached or added to the Airframe or any Engine as the result of such alteration, modification or addition shall, without further act, be subject to the Lien of this Indenture. Notwithstanding the foregoing, the Company may, at any time, remove any Part; provided that (i) such Part is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to the Airframe or such Engine at the time of delivery thereof under the Lease or hereunder, or any Part in replacement of, or substitution for, any such Part, (ii) such Part is not required to be incorporated or installed in or attached or added to such Airframe or Engine pursuant to the first sentence of this Section 8(c), and (iii) such Part can be removed from the Airframe or such Engine without materially diminishing or impairing the value, utility, condition or airworthiness required to be maintained by the terms of this Indenture had such removal not occurred. Upon the removal by the Company of any Part as provided in the immediately preceding sentence, or the removal of any obsolete or unsuitable part permitted by this Section 8(c), such Part shall no longer be deemed part of the Airframe or the Engine from which it was removed and shall no longer be subject to the Lien of this Indenture. Any such Part not removed by the Company as provided in Section 8(c)(iii) of this Article shall remain subject to the Lien of this Indenture.

Section 10. Loss, Destruction, Requisition, Etc. Event of Loss with Respect to an Airframe. (a) Upon the occurrence of an Event of Loss with respect to the Airframe, the Company shall forthwith (and, in any event, within 30 days after such occurrence) give the Loan Trustee written notice of such Event of Loss and of its election to perform one of the following options (it being agreed that if the Company shall not have given notice of such election within such 30 days after such occurrence, the Company shall be deemed to have elected to perform the option set forth in the following clause (ii)):

i. as promptly as practicable, and in any event on or before the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss, in replacement for the Airframe, the Company shall convey or cause to be conveyed to the Loan Trustee a security interest in and to one or more Replacement Airframes (together with the same number of Replacement Engines as the Engines, if any, installed on the Airframe at the time such Event of Loss occurred), such Replacement Airframe and Replacement Engines to be duly certificated as airworthy by the

central aviation authority of the jurisdiction of the registry of such Replacement Airframes and Engines, free and clear of all Liens (other than Permitted Liens), to have a value and utility at least equal to, and to be in as good operating condition as, the Airframe and Engines, if any, so replaced (assuming such Airframe and Engines were in the condition and repair required by the terms of this Indenture); provided that, if the Company shall not perform its obligation to effect such replacement under this clause (i) during the period of time provided herein, then the Company shall promptly give notice to the Loan Trustee and shall pay on the Business Day next following the thirtieth day after the end of such period to the Loan Trustee, in U.S. currency, the amounts specified in clause (ii) below; or

ii. on or before the Loss Payment Date (as defined below) the Company shall pay to the Loan Trustee an amount in cash which is sufficient to redeem each Outstanding Equipment Note pursuant to Section 6.01 of the Indenture; provided that the Company may, to the extent provided and in accordance with Section 3.08 hereof, surrender, to the Loan Trustee for cancellation Equipment Notes held by the Company and in such event the Company shall be entitled to a credit against amounts otherwise payable pursuant to this clause (ii). As used herein, "Loss Payment Date" means the earliest of (x) 30 days following the date on which insurance proceeds are received with respect to such Event of Loss, (y) the Business Day next following the 121st day next following the date of occurrence of the Event of Loss and (z) an earlier Business Day irrevocably specified by the Company at least thirty days in advance by notice to the Loan Trustee; provided, however, the Loss Payment Date shall be the date specified in the proviso to clause (i) above if applicable.

Upon compliance by the Company with the requirements of this Section 10(a)(ii), the Loan Trustee shall execute such instruments as may be reasonably requested by the Company releasing the Airframe and Engines from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereof hereunder.

At the time of or prior to any replacement of the Airframe and such Engines pursuant to Section 10(a)(i) of this Article, if any, the Company, at its own expense, will (A) cause a Trust Agreement and Indenture Supplement, sub-

stantially in the form of Exhibit C hereto for such Replacement Airframe and Replacement Engines, if any, to be delivered to the Loan Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of the jurisdiction other than the United States of America in which such Replacement Aircraft and Replacement Engines, if any, are to be registered in accordance with Section 7(a) of this Article, as the case may be, (B) cause a financing statement or statements with respect to the Replacement Airframe and Replacement Engines, if any, or other requisite documents or instruments, to be filed in such place or places as necessary or advisable in order to perfect the security interest therein created by or pursuant to this Indenture, or, if necessary or advisable, pursuant to the applicable laws of the jurisdiction in which such Replacement Aircraft and Replacement Engines, if any, are to be registered in accordance with Section 7(a) of this Article, as the case may be, (C) furnish the Loan Trustee with a certificate of an independent aircraft engineer or appraiser reasonably satisfactory to the Loan Trustee certifying that the Replacement Airframe and Replacement Engines, if any, have a value and utility at least equal to, and are in as good operating condition as, the Airframe and Engines, if any, so replaced assuming the Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (D) furnish the Loan Trustee with (i) such evidence of compliance with the insurance provisions of Section 11 of this Article with respect to such Replacement Airframe and Replacement Engines as the Loan Trustee may reasonably request and (ii) a certificate from a Responsible Officer of the Company certifying that at the time of such replacement, there is no continuing Indenture Event of Default, (E) furnish the Loan Trustee with an opinion of the Company's counsel (which may be the Company's General Counsel) addressed to the Loan Trustee that the substituted property will be subject to the Lien of this Indenture and the Loan Trustee should be entitled to the benefits of Section 1110 of the United States Bankruptcy Code of 1978, as amended, with respect to the Replacement Airframe, provided that (x) such opinion need not be delivered to the extent that the benefits of such Section 1110 were not, by reason of a change in law or governmental interpretation thereof, available to the Loan Trustee with respect to the Aircraft immediately prior to such substitution and (y) such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 4(J) of the Participation Agreement on the Delivery Date. In the case of each Replacement Airframe and each Replacement En-

gine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10(a), and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10(a), promptly upon the recordation of the Trust Agreement and Indenture Supplement covering such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine pursuant to the Federal Aviation Act (or pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine, are registered in accordance with Section 7(a) of this Article), the Company will cause to be delivered to the Loan Trustee a favorable opinion of counsel to the Company as to the due registration of such Replacement Aircraft, the due recordation of such Trust Agreement and Indenture Supplement or other requisite documents or instruments and the validity and perfection of the security interest in the Replacement Airframe, Replacement Engines or Replacement Engine, as the case may be, granted to the Loan Trustee under this Indenture.

For all purposes hereof, upon grant of a security interest therein to the Loan Trustee, each Replacement Aircraft and the Replacement Engines, if any, shall be deemed part of the property secured hereunder; each such Replacement Airframe shall be deemed an "Airframe" as defined herein, and each such Replacement Engine shall be deemed an "Engine" as defined herein. Upon full compliance with the terms of the previous paragraph, the Loan Trustee shall execute and deliver to the Company an appropriate instrument releasing such replaced airframe and engines (if any) installed thereon at the time such Event of Loss occurred from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge hereunder.

(b) Event of Loss with Respect to an Engine. Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which there has not occurred an Event of Loss with respect to the Airframe, the Company shall give the Loan Trustee prompt written notice thereof and shall, within 90 days after the occurrence of such Event of Loss, convey or cause to be conveyed to the Loan Trustee, as replacement for the Engine with respect to which such Event of Loss occurred, a security interest in and to a Replacement Engine free and clear of all Liens (other than Permitted Liens) and having a value and utility at least equal to, and being in as good operating condition as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value and utility and in the

condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, the Company, at its own expense, will (i) cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit C hereto or other requisite documents or instruments for such Replacement Engine to be delivered to the Loan Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (ii) furnish the Loan Trustee with a certificate of an aircraft engineer or appraiser (who may be an employee of the Company) certifying that such Replacement Engine has a value and utility at least equal to, and is in as good operating condition as, the Engine so replaced, assuming such Engine was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss and (iii) cause a financing statement or statements with respect to the Replacement Engine or other requisite documents or instruments to be filed in such place or places necessary or advisable in order to perfect the security interest in the Replacement Engine created by or pursuant to this Indenture, or, if necessary or advisable, pursuant to the applicable laws of the jurisdiction in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, and (iv) furnish the Loan Trustee with such evidence of compliance with the insurance provisions of Section 11 of this Article with respect to such Replacement Engine as the Loan Trustee may reasonably request, and (v) furnish the Loan Trustee with an opinion of the Company's counsel (which may be the Company's General Counsel) addressed to the Loan Trustee to the effect that such substituted property will be subjected to the Lien of this Indenture. Upon full compliance by the Company with the terms of this paragraph (b), the Loan Trustee will transfer to the Company, without recourse or warranty (except as to the Trustee's Liens), all of Loan Trustee's right, title and interest in and to the Engine with respect to which such Event of Loss occurred, and Loan Trustee will assign to or as directed by the Company all claims of Loan Trustee against third Persons relating to such Engine arising from such Event of Loss. In addition, upon such transfer the Loan Trustee shall execute and deliver to the Company an appropriate instrument releasing such Engine from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment (in respect of such Engine) from the assignment and pledge under this Indenture. For all purposes hereof, each

such Replacement Engine shall, after such conveyance, be deemed part of the property secured hereunder and shall be deemed an "Engine" as defined herein.

(c) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds the application of which is provided for in Section 11 of this Article) received at any time by the Loan Trustee or by the Company from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Airframe or any Engine, other than a requisition for use by any Government or by the government of registry of the Aircraft not constituting an Event of Loss, will be applied as follows:

(i) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has been or is being replaced by the Company pursuant to Section 10(a) of this Article, such payments shall be paid over to, or retained by, the Loan Trustee, and upon completion of such replacement be paid over to, or retained by, the Company;

(ii) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has not been and will not be replaced pursuant to Section 10(a) of this Article, such payments shall, after reimbursement of the Loan Trustee for costs and expenses, be applied in reduction of the Company's obligation to pay the amounts required to be paid by the Company pursuant to Section 10(a) of this Article, if not already paid by the Company, or, if already paid by the Company, shall be applied to reimburse the Company for its payment of such amounts, and the balance, if any, of such payments remaining thereafter shall be paid over to, and retained by, the Company; and

(iii) if such payments are received with respect to an Engine under circumstances contemplated by Section 10(b) of this Article, so much of such payments remaining after reimbursement of the Loan Trustee for costs and expenses shall be paid over to, or retained by, the Company; provided that the Company shall have fully performed the terms of Section 10(b) of this Article with respect to the Event of Loss for which such payments are made.

(d) Requisition for Use by the Government of the Airframe and the Engines Installed Thereon. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof), including, without limitation, pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv) of this Article of the Airframe and the Engines or engines installed on the Airframe, the Company shall promptly notify the Loan Trustee of such requisition and, except as otherwise provided in this Indenture, such requisition shall not constitute an Event of Loss and all of the Company's obligations under this Indenture with respect to the Aircraft shall continue to the same extent as if such requisition had not occurred unless or until such requisition shall constitute an Event of Loss. All payments received by the Loan Trustee or the Company from the Government or government for the use of the Airframe and Engines or engines prior to the occurrence of an Event of Loss shall be paid over to, or retained by, the Company.

(e) Requisition for Use by the Government of an Engine. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof) of any Engine (but not the Airframe), the Company will replace such Engine hereunder by complying with the terms of Section 10(b) of this Article to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received by the Loan Trustee or the Company from such Government or government with respect to such requisition shall be paid over to, or retained by, the Company.

(f) Application of Payments During Existence of Indenture Event of Default. Any amount referred to in clause (i), (ii) or (iii) of Section 10(c), Section 10(d) or Section 10(e) of this Article which is payable to the Company shall not be paid to the Company, or if it has been previously paid directly to the Company, shall not be retained by the Company, if at the time of such payment an Indenture Event of Default, or an Indenture Default which would constitute an Indenture Event of Default under Section 8.01(a), 8.01(f), 8.01(g), 8.01(h) or 8.01(i), shall have occurred and be continuing, but shall be paid to and held by the Loan Trustee as security for the obligations of the Company under this Indenture, and at such time as there shall not be continuing any such Indenture Event of Default or event, such amount shall be paid to the Company, provided that, if any such amount has been so held by the Loan

Trustee as security for more than 90 days after an Event of Default shall have occurred and during which period (x) the Loan Trustee shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (y) the Loan Trustee shall not have commenced to exercise any remedy available to it under this Indenture, then such amount shall be paid to the Company.

Section 11. Insurance. Public Liability and Property Damage Insurance.

(a) Subject to the rights of the Company to establish and maintain self-insurance with respect to public liability and property damage liability insurance for aircraft and engines (including, the Aircraft and Engines) in the manner and to the extent specified in the next sentence, the Company will carry, or cause to be carried, at no expense to the Loan Trustee, any Bank Lender or the Pass Through Trustee, public liability (including, without limitation, contractual liability and passenger legal liability) and property damage liability insurance (exclusive of manufacturer's product liability insurance) with respect to the Aircraft (i) in amounts which are not less than the public liability and property damage insurance applicable to similar aircraft and engines which comprise the Company's fleet on which the Company carries insurance, provided that such liability insurance shall not be less than the amount certified to the Original Loan Participants on the Delivery Date, (ii) of the type usually carried by corporations engaged in the same or similar business, similarly situated with the Company, and owning or operating similar aircraft and engines and covering risks of the kind customarily insured against by the Company, and (iii) which is maintained in effect with insurers of recognized responsibility. The Company may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including, the self-insurance permitted by Section 11(b) of this Article) with respect to all of the aircraft and engines in the Company's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (x) 50% of the largest replacement value of any single aircraft in the Company's fleet or (y) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance, provided that, in the event that there shall have occurred a material adverse change in the financial condition of the Company from such condition as is reflected in the consolidated financial statements of the Company at December 31, 1982, then, upon not less than 30 days' written notice from the Loan Trustee

to the Company, the Company will, until the Company's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as the Loan Trustee may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies of insurance carried in accordance with this Section 11(a) and any policies taken out in substitution or replacement for any of such policies (A) shall name the Loan Trustee, any Bank Lender or the Pass Through Trustee as additional insureds as their respective interests may appear, (B) shall provide that in respect of the respective interests of the Loan Trustee, any Bank Lender and the Pass Through Trustee in such policies the insurance shall not be invalidated by any action or inaction of the Company and shall insure the Loan Trustee's, such Bank Lender's and the Pass Through Trustee's Interests as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any substantial change is made in the policy which affects the coverage certified hereunder to the Loan Trustee, any Bank Lender or the Pass Through Trustee, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Loan Trustee, such Bank Lender or the Pass Through Trustee for 30 days (seven days, or such other period as is customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee, such Bank Lender or the Pass Through Trustee, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall provide that neither the Loan Trustee, such Bank Lender nor the Pass Through Trustee shall have any obligation or liability for premiums, commissions, assessments or calls in connection with such insurance, (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee, such Bank Lender and the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee, such Bank Lender or the Pass Through Trustee to the extent that the Company has waived its rights by its agreements to indemnify any such party pursuant to this Indenture or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from the rights retained by the Company shall not, in any way, delay payment

of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by the Company, (F) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee, any Bank Lender or the Pass Through Trustee with respect to its Interests as such in the Aircraft and (G) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. "Interests" as used in this Section 11(a) and Section 11(b) of this Article with respect to any person means the interests of such person in its capacity as Loan Trustee or Pass Through Trustee, as the case may be, in the transaction contemplated by the Participation Agreement and this Indenture. The Company shall arrange for appropriate certification that the requirements of this Section 11(a) have been met to be made to the Loan Trustee (and the Loan Trustee may furnish such certificates to each Loan Participant) as soon as practicable by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom any Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such person shall have entered into an agreement similar to that contained in this Section 11(a) whereby such person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a lease or contract with any Government in respect of the Aircraft or any Engine or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to the Loan Trustee, to indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

(b) Insurance Against Loss or Damage to Aircraft. Subject to the rights of the Company to establish and maintain self-insurance with respect to loss or damage to aircraft (including the Aircraft) in the manner and to the extent specified in the next sentence, the Company shall maintain, or cause to be maintained, in effect with insurers

of recognized responsibility, at no expense to the Loan Trustee, any Bank Lender or the Pass Through Trustee, all-risk aircraft hull insurance covering the Aircraft and all-risk coverage with respect to any Engines or parts while removed from the Aircraft (including, without limitation, war risk and allied perils insurance if and to the extent the same is maintained by the Company or any Permitted Air Carrier leasing the same with respect to other aircraft owned or operated by the Company or such Permitted Air Carrier, as the case may be, on the same routes) which is of the type and in substantially the amount usually carried by corporations engaged in the same or similar business and similarly situated with the Company; provided that (i) such insurance (including the permitted self-insurance) shall at all times while the Aircraft is subject to the Lien of this Indenture be for an amount not less than, at the date of determination thereof, the Outstanding principal amount of the Equipment Notes plus six months interest thereon and (ii) such insurance need not cover an Engine while attached to an airframe not owned, leased or operated by the Company. The Company may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(a) of this Article) with respect to all of the aircraft and engines in the Company's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (i) 50% of the largest replacement value of any single aircraft in the Company's fleet of (ii) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of the Company from such condition as is reflected in the consolidated financial statements of the Company at December 31, 1982, then, upon not less than 30 days' written notice from the Loan Trustee to the Company, the Company will, until the Company's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as the Loan Trustee may require; provided, further, that a deductible per occurrence utilized to reduce handling, that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies carried in accordance with this Section 11(b) and any policies taken out in substitution or replacement for any such policies (A) shall provided that any loss up to

the amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage constituting an Event of Loss with respect to the Aircraft, and any loss in excess of \$7,000,000, up to the amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage to the Aircraft (or Engines) not constituting an Event of Loss with respect to the Aircraft, shall be paid to the Loan Trustee as long as this Indenture shall not have been discharged pursuant to the terms and conditions thereof, and thereafter to the Company, unless, in each case, the insurer shall have received notice that an Indenture Event of Default exists, in which case all insurance proceeds up to an amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon shall be payable to the Loan Trustee, (B) shall provide that in respect of the respective interests of the Loan Trustee, any Bank Lender and of the Pass Through Trustee in such policies the insurance shall not be invalidated by any action or inaction of the Company and shall insure the Loan Trustee's, any Bank Lender's and the Pass Through Trustee's Interests, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any material change is made in the policy which affects the coverage certified hereunder to the Loan Trustee, any Bank Lender and the Pass Through Trustee, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Loan Trustee, any Bank Lender or the Pass Through Trustee, for 30 days (seven days, or such other period as may from time to time be customarily obtainable if the industry, in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee, such Bank Lender or the Pass Through Trustee, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee, any Bank Lender and the Pass Through Trustee with respect to the Interests as such in the Aircraft and (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee, such Bank Lender or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee, any Bank Lender or the Pass Through Trustee to the extent that the Company has waived its rights by its agreements to indemnify any such party pursuant to this indenture or the Participation Agreement; provided that the exercise by such insurers of rights of

subrogation derived from rights retained by the Company shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by the Company. The Company shall arrange for appropriate certification that the requirements of this Section 11(b) have been met to be made promptly to the Loan Trustee (and the Loan Trustee shall furnish such certification to each Loan Participant) by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any person with whom any Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such person shall have entered into an agreement similar to that contained in Section 11(b) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a lease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to the Loan Trustee, to indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government in an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus six months interest thereon from time to time shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

As between the Loan Trustee and the Company, it is agreed that all insurance payments received under policies required to be maintained by the Company hereunder, exclusive of any payments received in excess of an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon from such policies, as the result of the occurrence of an Event of Loss with respect to the Airframe or an Engine will be applied as follows:

(x) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed on the Airframe that has been or is being replaced by the Company as contemplated by Sec-

tion 10(a) of this Article, such payments shall be paid over to, or retained by, the Loan Trustee, and upon completion of such replacement be paid over to, or retained by, the Company;

(y) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed thereon that has not been and will not be replaced as contemplated by Section 10(a) of this Article, so much of such payments remaining after reimbursement of the Loan Trustee for costs and expenses as shall not exceed an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon required to be paid by the Company pursuant to Section 10(a) of this Article shall be applied in reduction of the Company's obligation to pay such amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, if not already paid by the Company, or, if already paid by the Company, shall be applied to reimburse the Company for its payment of such amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, the Company; and

(z) if such payments are received with respect to an Engine under the circumstances contemplated by Section 10(b) of this Article, so much of the such payments remaining after reimbursement of the Loan Trustee for costs and expenses shall be paid over to, or retained by, the Company; provided that the Company shall have fully performed the terms of Section 10(b) of this Article with respect to the Event of Loss for which such payments are made.

As between the Loan Trustee and the Company the insurance payment of any property damage loss in excess of an amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon shall be paid to the Company.

As between the Loan Trustee and the Company the insurance payment of any property damage loss not constituting an Event of Loss with respect to the Airframe or an Engine will be applied in payment (or to reimburse the Company) for repairs or for replacement property in accordance with the terms of Sections 7 and 8 of this Article, and any balance remaining after compliance with such Sections with

respect to such loss shall be paid to the Company. Any amount referred to in the preceding sentence or in clause (x), (y) or (z) of the second preceding paragraph which is payable to the Company shall not be paid to the Company or, if it has been previously paid directly to the Company, shall not be retained by the Company, if at the time of such payment an Indenture Event of Default (or an Indenture Default that with lapse of time would constitute an Indenture Event of Default under Section 8.01(a), 8.01(f) 8.01(g) 8.01(h) 8.01(i) of this Indenture) shall have occurred and be continuing, but shall be paid to and held by the Loan Trustee, as security for the obligations of the Company under this Indenture, and at such time as there shall not be continuing any such Indenture Event of Default or event, such amount shall be paid to the Company, provided that is any such amount has been so held by the Loan Trustee as security for more than 90 days after an Indenture Event of Default shall have occurred and during which period (i) the Loan Trustee shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (ii) the Loan Trustee shall not have exercised any remedy available to it under Section 15 of this Article, then such amount shall be paid to the Company.

(c) Reports, Etc. Annually upon renewal of the Company's insurance coverage, the Company will furnish to the Loan Trustee (and the Loan Trustee shall furnish to each Loan Participant) a report signed by a firm of independent aircraft insurance brokers appointed by the Company, stating the opinion of such firm that the insurance then carried and maintained on the Aircraft complies with the terms hereof; provided that all information contained in such report shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom any Loan Participants is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such Person shall have entered into an agreement similar to that contained in this Section 11(c) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. The Company will cause such firm to advise the Loan Trustee, any Bank Lender or the Pass Through Trustee, in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the Company of which such firm has knowledge and which might invalidate or render unenforceable, in whole or in part, any

insurance on the Aircraft. The Company will also cause such firm to advise the Loan Trustee, any Bank Lender and the Pass Through Trustee, in writing as promptly as practicable after such firm acquires knowledge that an interruption or reduction of any insurance carried and maintained on the Aircraft pursuant to the provisions of this Section 11 will occur.

(d) Insurance for Own Account. Nothing in this Section 11 shall limit or prohibit the Loan Trustee or the Company from obtaining insurance for its own account with respect to the Airframe or any Engine and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto, provided that (i) no such insurance may be obtained which would limit or otherwise adversely affect the coverage or amounts payable under insurance required to be maintained pursuant to this Section 11, it being understood that all salvage rights to the Airframe or such Engine shall remain with the Company's insurers at all times, and (ii) the Loan Trustee may obtain hull insurance on the Aircraft only to the extent the procurement of such insurance does not have an adverse effect on the Company's ability or cost to obtain such insurance, except that the limitation in the foregoing clause (i) on the Loan Trustee's right to obtain liability insurance shall not apply during any period in which the Company is providing a Government indemnity in lieu of the liability insurance required by Section 11(a) of this Article and the limitations in clauses (i) and (ii) on the Loan Trustee's rights to obtain hull insurance shall not apply during any period in which the Company is providing a Government indemnity in lieu of the hull insurance required by Section 11(b) of this Article.

Section 12. Inspection. At all reasonable times so long as any Equipment Notes are outstanding, but upon at least 5 days' prior written notice to the Company, the Loan Trustee, the Initial Bank Lender, the Pass Through Trustee or their authorized representatives may at their own expense and risk (including without limitation, any risk of personal injury or death) conduct a visual walk-around inspection of the Aircraft and any Engine and may inspect the books and records of the Company relating thereto; provided that (a) such representative shall be fully insured to the reasonable satisfaction of the Company at no cost to the Company with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an

inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their accountants, agents and legal counsel and any Person with whom any such Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order or administrative agency or by any statute, rule, regulation or order of any governmental authority. Upon the Loan Trustee's request, the Company will notify the Loan Trustee of the next scheduled "heavy maintenance" visit to be conducted by the Company in respect of the Aircraft; provided that the Company shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified the Loan Trustee pursuant to this sentence, the Company hereby agreeing to use reasonable efforts to notify the Loan Trustee of any such rescheduling or change. The Loan Trustee shall not have any duty to make such inspection and shall not incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of the Company's business, and the Company shall not be required to undertake or incur any additional liabilities in connection therewith.

Section 17. Further Assurances; Financial Information. Forthwith upon the execution and delivery of each Trust Agreement and Indenture Supplement, the Company will cause such Trust Agreement and Indenture Supplement to be duly filed and recorded in accordance with the Federal Aviation Act. In addition, the Company and the Loan Trustee will promptly and duly execute and deliver to the other party hereto such further documents and assurances and take such further action as such other party may from time to time reasonably request in order to effectively carry out the intent and purpose of this Indenture, including, without limitation, if requested by the Loan Trustee, the execution and delivery of supplements or amendments hereto, in recordable form, subjecting to this Indenture any Replacement Airframe or Replacement Engine and the recording or filing of counterparts hereof or thereof, in accordance with the laws of such jurisdictions as the Loan Trustee may from time

to time deem advisable; provided that this sentence is not intended to impose upon the Company any additional liabilities not otherwise contemplated by this Indenture. The Company agrees to furnish the Loan Trustee (i) within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Company, a consolidated balance sheet of the Company and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income and cash flows for such period, (ii) within 120 days after the close of each fiscal year of the Company, a consolidated balance sheet of the Company and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income and cash flows for such fiscal year, as certified by independent public accountants, (iii) within 120 days after the close of each fiscal year of the Company, a certificate of the Company signed by a Responsible Officer of the Company and addressed to the Loan Trustee to the effect that the signer has reviewed the relevant terms of this Indenture and the Participation Agreement and has made, or caused to be made under his supervision, a review of the transactions and condition of the Company during the accounting period covered by the financial statements referred to in clause (ii) above, and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Indenture Event of Default or which, after notice or lapse of time or both, would constitute an Indenture Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, and (iv) from time to time such other non-confidential information as the Loan Trustee may reasonably request.

Section 24. Maintenance of Certain Engines. Notwithstanding anything to the contrary contained herein, an aircraft engine which is not an Engine, but which is installed on the Airframe, shall be maintained in accordance with Section 7(a) of this Article.

Section 27. Company's Performance and Rights. Any obligation imposed on the Company pursuant to Sections 7, 8, 11, 12 and 24 of this Article shall require only that the Company perform or cause to be performed such obligation, even if stated herein as a direct obligation, and the performance of any such obligation by any permitted assignee, lessee or transferee under an assignment, lease or transfer agreement then in effect shall constitute perfor-

mance by the Company and to the extent of such performance, discharge such obligation by the Company. Except as otherwise expressly provided herein, any right granted to the Company in this Indenture shall grant the Company the right to exercise such right or permit such right to be exercised by any such assignee, lessee or transferee; provided that no such assignee, lessee or transferee shall be permitted to exercise the self-insurance rights of the Company set forth in Section 11 of this Article. The inclusion of specific references to obligations or rights of any such assignee, lessee or transferee in certain provisions of this Indenture shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in respect of which specific reference to any such assignee, lessee or transferee has not been made in this Indenture.

Section 28. Statement of Intention. The Loan Trustee, the Company and the Owner Trustee acknowledge that the intent of the provisions contained in this Article 15 is, following the termination of the Lease pursuant to Section 9(e), 9(f) or 20(b) thereof, to provide for the Loan Trustee to have rights similar to those enjoyed by the Owner Trustee under the Lease and for the Company to have rights similar to those enjoyed by it under the Lease. The Loan Trustee and the Company hereby agree that this Article 15 shall be construed and interpreted in a manner consistent with the intent expressed in this Section 28.

Section 29. Amendment of Exhibit to the Indenture. (a) Each Pass Through Equipment Note issued after the Relevant Date shall be issued in substantially the form set forth in Exhibit A to this Indenture as originally executed, provided that the following legend shall be affixed to each such Pass Through Equipment Note:

"Pursuant to Section 7.03 of the Trust Indenture and Security Agreement, American Airlines, Inc. has assumed all of the obligations of the Owner Trustee under the Trust Indenture and Security Agreement and this Pass Through Equipment Note except such obligations as could necessarily be performed exclusively by an entity acting in the capacity of the Owner Trustee."

(b) Each Bank Equipment Note issued after the Relevant Date shall be issued in substantially the form set forth in Exhibit A-1 to this Indenture as originally executed, provided that the following legend shall be affixed to each such Bank Equipment Note:

"Pursuant to Section 7.03 of the Trust Indenture and Security Agreement, American Airlines, Inc. has assumed all of the obligations of the Owner Trustee under the Trust Indenture and Security Agreement and this Bank Equipment Note except such obligations as could necessarily be performed exclusively by an entity acting in the capacity of the Owner Trustee."

In lieu of issuing Equipment Notes with the appropriate legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Pass Through Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit DA to this Indenture and any Bank Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit DA-1 to this Indenture.

Section 30. General. Effective as of the Relevant Date the Company assumes on a full recourse basis all of the duties and obligations of the Owner Trustee under this Indenture and the Equipment Notes and shall be entitled to all the rights and benefits of the Owner Trustee hereunder and thereunder, in each case to the extent provided for in this Indenture, and the Owner Trustee is, effective upon the Relevant Date, released from all duties, obligations and rights under this Indenture and the Equipment Notes (other than any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Relevant Date or arising out of or based upon events occurring on or prior to the Relevant Date, which obligations and liabilities shall remain the responsibility of the Owner Trustee).

The Company confirms and ratifies the security interest which the Owner Trustee granted to the Loan Trustee pursuant to the Granting Clause of this Indenture in all of the Owner Trustee's right, title and interest in the Aircraft and its interest in the Purchase Agreement (to the extent assigned to the Owner Trustee pursuant to the Purchase Agreement Assignment) and the Company explicitly agrees that the Company is acquiring the Aircraft subject to such security interest, which shall remain in full force and effect until this Indenture is discharged in accordance with the terms hereof, and the Loan Trustee acknowledges that the Lease and the obligations of the Company hereunder as Company have been terminated, except as specifically provided for therein, and each of the Company and the Loan Trustee hereby agree that the Granting Clause hereof shall, subject always to the provisions of Section 28 of Article 15 hereof, be deemed to have been modified mutatis mutandis.

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All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

## LIST OF PERMITTED COUNTRIES

## ASIA/OCEANIA

Australia  
Japan  
New Zealand  
India

## EUROPE

Austria  
Germany  
Finland  
Spain (including Canary Islands)  
United Kingdom

## THE AMERICAS

Canada  
Mexico

Trust Indenture Exhibit D (Series AA)

Form of Pass Through Equipment Notes  
[Installment Equipment Notes]\*

No. \_\_\_\_\_

\$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AA  
AMERICAN AIRLINES, INC.

Issued in connection with Aircraft N374AA

INTEREST RATE

MATURITY DATE

8.39%

January 2, 2017\*  
[----]\*\*

AMERICAN AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns the principal sum of \_\_\_\_\_ DOLLARS [in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above]\* [on the Maturity Date specified above]\*\* and to pay interest [on the original principal amount hereof remaining unpaid from time to time]\* [thereon]\*\* at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment [in full]\* In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Pass Through Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June

\* Include for Installment Equipment Notes only.

\*\* Include for all non-Installment Pass Through Equipment Notes.

Trust Indenture Exhibit DA

15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate.

The interest [or Installment Payment Amount]\* so payable, and punctually paid or duly provided for, on or within 5 days after the applicable Interest Payment Date [or Installment Payment Date, as the case may be],\* will, as provided in the Indenture, be paid to the Person in whose name this Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on the Record Date for payment of such interest [or Installment Payment Amount],\* which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date [or Installment Payment Date, as the case may be].\* Any such interest [or Installment Payment Amount]\* not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Loan Participant on such Record Date (or to the Person in whose name this Pass Through Equipment Note is registered upon issuance) and may be paid to the Person in whose name the Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on a Special Record Date for the payment of such [Defaulted Installment or]\* Defaulted Interest to be fixed by the Loan Trustee, notice whereof shall be given to Loan Participants entitled thereto not less than 10 days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Equipment Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, Make-Whole Amount, if any, and interest on this Pass Through Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest [and Installment Payment Amounts (other than that pay-

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\* Include for Installment Equipment Notes only.

able on the Maturity Date hereof)]\* may be made at the option of the Loan Trustee or the Paying Agent by check mailed to the address of the Loan Participant entitled thereto as such address shall appear on the Register.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03 of the Indenture.

This Pass Through Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Pass Through Equipment Note has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created thereby, to all of which terms and conditions therein each Loan Participant agrees by its acceptance of this Pass Through Equipment Note. Each holder hereof, by its acceptance of this Pass Through Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

[On each Installment Payment Date, the Loan Participant will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment

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\* Include for Installment Equipment Notes only.

Date multiplied by the original principal amount of this Pass Through Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
July 2, 2013	9.601024109%
July 2, 2014	25.272029016%
July 2, 2015	27.394922125%
January 2, 2016	0.256027310%
July 2, 2016	29.443140602%
January 2, 2017	8.032856838%*

As more fully provided in the Indenture, the Pass Through Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail and under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, Make-Whole Amount, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default the Loan Trustee may exercise one or more of the remedies in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft and to sell or relet the Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Loan Participant to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Company and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment

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\* Include for Installment Equipment Notes only.

Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Company deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Pass Through Equipment Note is transferable, and upon surrender of this Pass Through Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Loan Participant or its attorney duly authorized in writing, one or more new Pass Through Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

THIS PASS THROUGH EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS PASS THROUGH EQUIPMENT NOTE WILL BE MADE UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH ACT DOES NOT APPLY.

The Pass Through Equipment Notes are issuable only as registered Equipment Notes. The Pass Through Equipment Notes are issuable in denominations of \$1,000 and integral multiples thereof except that one such Pass Through Equipment Note of each maturity does not need to be an integral multiple of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Pass Through Equipment Notes are exchangeable for an equal aggregate

principal amount of Pass Through Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Pass Through Equipment Notes to be exchanged or transferred, as requested by the Loan Participant surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Pass Through Equipment Note, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Pass Through Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Pass Through Equipment Note and for all other purposes whatsoever whether or not this Pass Through Equipment Note be overdue, and neither the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS PASS THROUGH EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_  
[Title]

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

## Form of Bank Equipment Notes

THIS BANK EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES OR SIMILAR LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE OR OTHERWISE DISPOSED OF EXCEPT WHILE SUCH REGISTRATION UNDER THE ACT AND SUCH SECURITIES AND SIMILAR LAWS IS IN EFFECT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THIS BANK EQUIPMENT NOTE IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 10 OF THE REFUNDING AGREEMENT REFERRED TO BELOW.

No. \_\_\_\_\_ \$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AA  
AMERICAN AIRLINES, INC.

Issued in connection with Aircraft N374AA

INTEREST RATE	MATURITY DATE
7.708%	January 2, 2011

AMERICAN AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to The Mitsubishi Trust and Banking Corporation, New York Branch, or registered assigns the principal sum of \_\_\_\_\_ DOLLARS in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the original principal amount hereof remaining unpaid from time to time at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for, semiannually, on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment in full. In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of

interest accruing on this Bank Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate.

The interest or Installment Payment Amount so payable, and punctually paid or duly provided for the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Bank Equipment Note (or one or more predecessor Bank Equipment Notes) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so punctually paid or duly provided for shall be payable at the election of the Loan Trustee to the Bank Lender in whose name this Bank Equipment Note is registered in the Register on the date of such payment, all as more fully provided in the Indenture.

Payment of the principal of, Swap Breakage Loss, if any, and interest on this Bank Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Paying Agent appointed under the Indenture shall remit all such amounts so received by it via wire transfer of immediately available funds to such address and in such manner as each Bank Lender shall have designated in writing to the Paying Agent. The Paying Agent shall cause each payment to the Bank Lender hereof to be made by 4:00 p.m. on the day the Paying Agent receives such payment. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and by the time specified, the Paying Agent, in its individual capacity and not as Paying Agent, has agreed to compensate the Bank

Lender holding this Bank Equipment Note for loss of use of such funds.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to this Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name this Bank Equipment Note is registered in the Register under the Indenture, under this Bank Equipment Note, and under the Participation Agreement or Refunding Agreement, the Bank Lender holding this Bank Equipment Note shall surrender this Bank Equipment Note to the Loan Trustee for cancellation.

This Bank Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Bank Equipment Note has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions each Bank Lender agrees by its acceptance of this Bank Equipment Note. Each holder hereof, by its acceptance of this Bank Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

On each Installment Payment Date, the Bank Lender will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Bank Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
July 2, 1995	0.157782152%
January 2, 1996	1.676715462
January 2, 1997	1.946232169
January 2, 1998	5.169113932
January 2, 1999	5.558007326
January 2, 2000	5.995960443
January 2, 2001	6.458129076
January 2, 2002	6.955921680
January 2, 2003	4.419217904
January 2, 2004	4.759851230
January 2, 2005	5.126740537
January 2, 2006	4.561226601
January 2, 2007	4.445969660
January 2, 2008	4.663928044
January 2, 2009	5.052074867
January 2, 2010	7.188067447
July 2, 2010	13.746428677
January 2, 2011	12.118642794

The final installment of principal of this Bank Equipment Note shall under all circumstances equal the entire principal balance hereof outstanding on the Maturity Date.

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, upon such notice and under the circumstances set forth in the Indenture, at the Redemption Price set forth for such circumstances therein.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default the Loan Trustee may exercise one or more of the remedies in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft and to sell or relet the Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Bank Lender to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Company and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Company deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make-Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and in the Refunding Agreement and subject to certain limitations set forth herein and therein (including the limitations set forth in Section 10 of the Refunding Agreement), this Bank Equipment Note is transferable, and upon surrender of this Bank Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Bank Lender or his attorney duly authorized in writing, one or more new Bank Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Bank Equipment Notes are issuable only as registered Equipment Notes. The Bank Equipment Notes are issuable in denominations of not less than \$5,000,000 (or such lesser amount as shall constitute 100% of the aggregate unpaid principal amount of Bank Equipment Notes held by the Bank Lender holding such Bank Equipment Notes). As provided in the Indenture and subject to certain limitations set forth therein and in the Refunding Agreement, Bank Equipment Notes are exchangeable for an equal aggregate principal amount of Bank Equipment Notes of the same type, having the

same Maturity Date and of any authorized denominations or transferable upon surrender of the Bank Equipment Notes to be exchanged or transferred, as requested by the Bank Lender surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Bank Equipment Note, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Bank Lender in whose name this Bank Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bank Equipment Note and for all other purposes whatsoever whether or not this Bank Equipment Note be overdue, and neither the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS BANK EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_  
[Title]

## LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

8

Trust Indenture Exhibit DA-1

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FORM OF  
AMENDED AND RESTATED TRUST INDENTURE  
AND SECURITY AGREEMENT  
(AA 1995 PTC Series AB)  
dated as of June 15, 1995

between

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity except as expressly set forth herein  
but solely as Owner Trustee

and

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, as Loan Trustee

One Boeing 767-323ER Aircraft

U.S. Registration No. N7375A  
Manufacturer's Serial No. 25202

=====

(Series AB)

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Trust Indenture

AMENDED AND RESTATED TRUST INDENTURE  
AND SECURITY AGREEMENT

This AMENDED AND RESTATED TRUST INDENTURE AND SECURITY AGREEMENT (AA 1995 PTC Series AB), dated as of June 15, 1995, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise expressly provided herein, but solely as Owner Trustee under the Trust Agreement (capitalized terms used herein having the respective meanings specified therefor in Article 1), and STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as Loan Trustee hereunder.

W I T N E S S E T H:

WHEREAS, the Owner Participant and the Owner Trustee in its individual capacity have entered into the Trust Agreement whereby, among other things, (i) the Owner Trustee has established a certain trust for the use and benefit of the Owner Participant subject, however, to the Indenture Estate created pursuant hereto for the use and benefit of, and with the priority of payment to, the holders of the Equipment Notes issued hereunder, and (ii) the Owner Trustee has been authorized and directed to execute and deliver this Agreement;

WHEREAS, the Owner Trustee and NationsBank of Georgia, National Association as Indenture Trustee (the "Indenture Trustee") entered into the Trust Indenture and Security Agreement (AA 1992 AF-2) dated as of July 1, 1992 (the "Original Indenture");

WHEREAS, the Owner Trustee and the Indenture Trustee entered into Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-2) (the "Supplement") dated July 9, 1992 to the Original Indenture;

WHEREAS, the Original Indenture and the Supplement were recorded with the Federal Aviation Administration on July 10, 1992 and were assigned Conveyance No. BB19343;

WHEREAS, pursuant to Section 5 of the Refunding Agreement, the parties thereto have agreed that the Indenture Trustee under the Original Indenture shall resign and be replaced in such capacity by the Loan Trustee;

(Series AB)

WHEREAS, the parties desire by this Agreement, among other things, (i) to amend and restate in its entirety the Original Indenture, (ii) to provide for the issuance by the Owner Trustee of the Equipment Notes and (iii) to provide for the assignment, mortgage and pledge by the Owner Trustee to the Loan Trustee, as part of the Indenture Estate hereunder, among other things, of certain of the Owner Trustee's right, title and interest in and to the Aircraft and the Operative Documents and certain payments and other amounts received hereunder or thereunder in accordance with the terms hereof, as security for, among other things, the Owner Trustee's obligations to the Loan Trustee, for the ratable benefit and security of the Loan Participants; and

WHEREAS, all things necessary to make this Agreement the legal, valid and binding obligation of the Owner Trustee and the Loan Trustee, for the uses and purposes herein set forth, in accordance with its terms, have been done and performed and have happened;

#### GRANTING CLAUSE

NOW, THEREFORE, THIS TRUST INDENTURE AND SECURITY AGREEMENT WITNESSETH, that, to secure the prompt payment of the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, as the case may be, and interest on and all other amounts due with respect to, all Equipment Notes from time to time Outstanding and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions contained herein and in the other Operative Documents to which it is a party for the benefit of the Loan Participants, and the prompt payment of any amounts from time to time owing to the Loan Participants under the Participation Agreement and the Refunding Agreement by the Owner Trustee, the Owner Participant and the Lessee, and for the uses and purposes and subject to the terms and provisions hereof, and in consideration of the premises and of the covenants herein contained, and of the acceptance of the Equipment Notes by the Loan Participants, and of the sum of \$1 paid to the Owner Trustee by the Loan Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors and assigns, for the security and benefit of the Loan Participants from time to time, a

security interest in and mortgage Lien on all estate, right, title and interest of the Owner Trustee in, to and under the following described property, rights, interests and privileges (which collectively, including all property hereafter specifically subjected to the Lien of this Agreement by any instrument supplemental hereto, but excluding the Excepted Property, are herein called the "Indenture Estate"):

(1) the Boeing Company Model 767-323ER Aircraft with FAA Registration Number N7375A and Manufacturer's serial number 25202 (including the Airframe and the two General Electric CF6-80C2B6 engines with Manufacturer's serial numbers 695539 and 695533 (each such Engine having 750 or more rated take-off horsepower or the equivalent thereof) originally installed thereon), and all replacements thereof and substitutions therefor in which the Owner Trustee shall from time to time acquire an interest in accordance with the Lease, as more particularly described in the Trust Agreement and Indenture Supplement and the Lease Supplement executed and delivered with respect to the Aircraft or any such replacements thereof or substitutions therefor, as provided in this Agreement and the Lease;

(2) the Lease (including the Rent Schedule), each Lease Supplement and all Rent thereunder, including, without limitation, all amounts of Basic Rent, Supplemental Rent, and payments of any kind required to be made by the Company thereunder; the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment); and the Purchase Agreement Assignment; in each case including, without limitation, (x) all rights of the Owner Trustee to receive any payments or other amounts or to exercise any election or option or to make any decision or determination or to give or receive any notice, consent, waiver or approval or to take any other action under or in respect of any such document or to accept surrender or redelivery of the Aircraft or any part thereof, as well as all the rights, powers and remedies on the part of the Owner Trustee, whether acting under any such document or by statute or at law or in equity, or otherwise, arising out of any Lease Event of Default (except as otherwise provided for hereunder), and (y) any right to restitution from the Company or any other Person in respect of any determination of invalidity of any such document;

(3) all rents, issues, profits, revenues and other income of the property subjected or required to be subjected to the Lien of this Agreement;

(4) all requisition proceeds with respect to the Aircraft or any part thereof and all insurance proceeds with respect to the Aircraft or any part thereof, but excluding any insurance maintained by the Owner Trustee, the Owner Participant or the Company and not required under Section 11 of the Lease;

(5) all moneys and securities now or hereafter paid or deposited or required to be paid or deposited to or with the Loan Trustee by or for the account of the Owner Trustee pursuant to any term of any Operative Document and held or required to be held by the Loan Trustee hereunder;

(6) all rights of the Owner Trustee to amounts paid or payable by the Company to the Owner Trustee under the Participation Agreement and all rights of the Owner Trustee to enforce payment of any such amounts thereunder; and

(7) all proceeds of the foregoing (the Owner Trustee having delivered to the Loan Trustee the original executed Lease and Lease Supplement and executed counterparts of the Trust Agreement and the Purchase Agreement Assignment);

Notwithstanding the foregoing provisions:

(a) there shall be excluded from the Indenture Estate and from the security interest granted by this Agreement all Excepted Property;

(b) (i) whether or not a Lease Event of Default shall occur and be continuing, the Owner Trustee and the Owner Participant shall at all times retain the right, to the exclusion of the Loan Trustee, (A) to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to demand, collect, sue for or otherwise receive and enforce the payment of Excepted Property due and payable to it or to take any other action in respect of, but in each case only to the extent relating to, Excepted Property and to commence an action at law to obtain such Excepted Property, (B) to adjust Basic Rent and the percentages

relating to Special Purchase Price, Stipulated Loss Value and Termination Value as provided in Section 3(e) of the Lease or Section 18 of the Participation Agreement, (C) to retain the rights of the "Lessor" with respect to solicitations of bids, and the election to retain or sell the Aircraft pursuant to Section 9 of the Lease, (D) to retain the right of the "Lessor" to determine the fair market rental value or fair market sales value pursuant to Section 9(e) or Section 20 of the Lease, (E) to retain all rights with respect to insurance maintained for its own account in conformity with Section 11(d) of the Lease, and (F) to exercise, to the extent necessary to enable it to exercise its rights under Section 8.03(e) hereof, the rights of the "Lessor" under Section 23 of the Lease.

(ii) whether or not a Lease Event of Default or an Indenture Event of Default shall occur and be continuing, the Owner Trustee and the Loan Trustee shall each retain the right, separately but not to the exclusion of the other, to receive from the Company all notices, certificates, reports, filings, Opinions of Counsel, copies of all documents and all information which the Company is permitted or required to give or furnish to the "Lessor" or to the "Owner Trustee" pursuant to any Operative Document, to consent to additions to the list of countries on Exhibit B to the Lease, to give any notice of default under Section 14 of the Lease and to declare the Lease in default in respect thereof, to cause the Company to take any action and execute and deliver such documents, financial information and assurances as the "Lessor" may from time to time reasonably request pursuant to Section 17 of the Lease and to exercise inspection rights pursuant to Section 12 of the Lease;

(iii) so long as no Indenture Event of Default shall have occurred and be continuing (but subject to the provisions of Section 11.06), the Owner Trustee shall retain the right, to the exclusion of the Loan Trustee, to exercise all other rights of the "Lessor" under the Lease including, without limitation, (1) the right to approve as satisfactory any accountants, engineers or counsel to render services for or issue opinions to the Owner Trustee pursuant to express provisions of the Operative Documents and (2) the right to consent to reregistration of the Aircraft pursuant to Section 9(m) of the Participation Agreement; provided that the foregoing shall not limit (A) any rights sep-

arately and expressly granted the Loan Trustee or any Loan Participant under the Operative Documents or (B) the right of the Loan Trustee to receive any funds to be delivered to the "Lessor" under the Lease (except funds which constitute or are delivered with respect to Excepted Property) and under the Purchase Agreement;

(c) the leasehold interest granted to the Company under the Lease shall not be subject to the security interest granted by this Agreement, and nothing in this Agreement shall affect the rights of the Company under the Lease so long as no Lease Event of Default has occurred and is continuing; and

(d) as between the Owner Trustee and the Loan Trustee, nothing contained in this Granting Clause shall prevent the Owner Trustee or the Owner Participant from seeking specific performance of the covenants of the Company under the Lease relating to the protection, insurance, maintenance, possession and use of the Aircraft, provided such action shall not interfere with the exercise by the Loan Trustee of its remedies under Article 8 hereof or Section 15 of the Lease, or from maintaining separate insurance with respect to the Aircraft to the extent permitted by Section 11 of the Lease.

#### HABENDUM CLAUSE

To HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, its successors and assigns, in trust for the benefit and security of the Loan Participants from time to time, without any priority of any one Equipment Note over any other, and for the uses and purposes and subject to the terms and provisions set forth in this Agreement.

The Owner Trustee agrees that this Agreement is intended to and shall create and grant to the Loan Trustee a security interest in the Aircraft, which security interest shall attach on and as of the Delivery Date. The security interest created by this Agreement and granted to the Loan Trustee hereunder in the Indenture Estate other than in the Aircraft shall attach upon the delivery hereof.

It is expressly agreed that, anything herein contained to the contrary notwithstanding, the Owner Trustee shall remain liable under each of the Operative Documents to

which it is a party to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Loan Trustee and the Loan Participants shall have no obligation or liability under any of the Operative Documents to which the Owner Trustee is a party by reason of or arising out of the assignment hereunder, nor shall the Loan Trustee (except as to the Loan Trustee, if the Loan Trustee shall have become the "Lessor" under the Lease) be required or obligated in any manner to perform or fulfill any obligations of the Owner Trustee under or pursuant to any of the Operative Documents to which the Owner Trustee is a party or, except as herein or therein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Subject to the terms and conditions hereof, the Owner Trustee does hereby constitute the Loan Trustee the true and lawful attorney of the Owner Trustee, irrevocably, with full power (in the name of the Owner Trustee or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys due and to become due to the Owner Trustee (other than Excepted Property) under or arising out of the Lease (subject to the provisions of Section 11.06(b)(1)), the Purchase Agreement and the Purchase Agreement Assignment, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Loan Trustee may deem to be necessary or advisable in the premises. The Owner Trustee has directed the Company to make all payments of Rent (other than Excepted Property) payable to the Owner Trustee by the Company and all other amounts which are required to be paid to or deposited with the Owner Trustee pursuant to the Lease directly to the Loan Trustee at such address as the Loan Trustee shall specify, for application as provided in this Agreement. The Owner Trustee agrees that promptly on receipt thereof, it will transfer to the Loan Trustee any and all moneys from time to time received by it constituting part of the Indenture Estate, for distribution by the Loan Trustee pursuant to this Agreement, except that the Owner Trustee shall accept for distribution pursuant to the Trust Agreement any amounts distributed to it by the Loan Trustee as expressly provided in this Agreement and any Excepted Property.

The Owner Trustee agrees that at any time and from time to time, upon the written request of the Loan Trustee, the Owner Trustee will promptly and duly execute and deliver or cause to be duly executed and delivered to the Loan Trustee any and all such further instruments and documents as the Loan Trustee may reasonably deem desirable in obtaining the full benefits of the mortgage and security interest granted hereby and of the rights and powers herein granted.

The Owner Trustee does hereby warrant and represent that it has not mortgaged, assigned or pledged, and hereby covenants that it will not mortgage, assign or pledge, so long as the Lien of this Agreement shall or is intended to remain in effect, any of its right, title or interest subject to the mortgage and security interest hereby created, to anyone other than the Loan Trustee, and that it will not (other than in respect of Excepted Property), except as provided in or permitted by this Agreement, accept any payment from the Company, enter into an agreement amending or supplementing any of the Operative Documents to which it is a party, execute any waiver or modification of, or consent under the terms of any of the Operative Documents to which it is a party, settle or compromise any claim against the Company arising under any of the Operative Documents, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any of the Operative Documents to which it is a party to arbitration thereunder.

IT IS HEREBY COVENANTED AND AGREED by and among the parties hereto as follows:

#### ARTICLE 1

##### DEFINITIONS

Section 1.01. Definitions. (a) For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article 1 have the meanings assigned to them in this Article 1, and include the plural as well as the singular;

(2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(3) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and

(4) all references in this Agreement to Articles, Sections and Exhibits refer to Articles, Sections and Exhibits of this Agreement.

(b) For all purposes of this Agreement, the following capitalized terms have the following respective meanings:

"Affiliate" has the meaning specified therefor in the Lease.

"Agent" means any Paying Agent or Registrar.

"Aircraft" has the meaning specified therefor in the Lease.

"Airframe" has the meaning specified therefor in the Lease.

"Bank Equipment Note" means any Equipment Note issued hereunder in substantially the form of Exhibit A-1 hereto as such form may be varied pursuant to the terms hereof, and includes any such Equipment Note issued hereunder in exchange for or replacement of any thereof or upon a reissuance after an assumption by the Company in accordance with Section 7.03.

"Bank Lender" means (i) the Initial Bank Lender so long as a Bank Equipment Note is registered in its name in the Register, and (ii) each other Person in whose name a Bank Equipment Note is registered in the Register.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, 11 U.S.C. Section Section 101-1330, as amended.

"Basic Rent" has the meaning specified therefor in the Lease.

"Business Day" has the meaning specified therefor in the Lease.

"Company" means American Airlines, Inc., a Delaware corporation, and, subject to the provisions hereof and of the Participation Agreement, its permitted successors and assigns.

"Company Request" means a written request of the Company executed on its behalf by a Responsible Company Officer.

"Co-Registrar" has the meaning specified therefor in Section 2.03.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction, or other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Defaulted Installment" has the meaning specified therefor in Section 2.08.

"Defaulted Interest" has the meaning specified therefor in Section 2.08.

"Delivery Date" has the meaning specified therefor in the Lease.

"Engine" has the meaning specified therefor in the Lease.

"Equipment Note" means any Bank Equipment Note or Pass Through Equipment Note.

"Event of Loss" has the meaning specified therefor in the Lease.

"Excepted Property" means (i) indemnity or other payments paid or payable by the Company to or in respect of the Owner Participant or the Owner Trustee in its individual capacity or any member or their respective Related Indemnitee Groups pursuant to the Participation Agreement or any corresponding payment of Supplemental Rent under the Lease, (ii) proceeds of public liability insurance (or government indemnities in lieu thereof) in respect of the Aircraft paid or payable as a result of insurance claims or amounts in respect of such indemnities paid or payable to or for the benefit of, or losses suffered by, the Owner Trustee or the Loan Trustee in their respective individual capacities or the Owner Participant or by any affiliated or otherwise

related additional insureds or loss payees (collectively, the "Related Insured Parties"), (iii) proceeds of insurance maintained in conformity with Section 11(d) of the Lease by the Owner Participant or any Affiliate thereof (whether directly or through the Owner Trustee), (iv) payments of Supplemental Rent or other payments by the Company payable under the Tax Indemnity Agreement, (v) payments of Supplemental Rent by the Lessee with respect to the foregoing, (vi) fees payable to the Owner Trustee pursuant to Section 7(b) of the Participation Agreement, (vii) any right to restitution from the Company, as lessee under the Lease, in respect of any determination of the invalidity of any Excepted Property, (viii) the respective rights of the Owner Trustee or the Loan Trustee in their respective individual capacities or the Owner Participant (or of any member of their Related Indemnitee Groups or any Related Insured Party) to the proceeds of the foregoing and (ix) any right to demand, collect or otherwise receive and enforce the payment of any amount described in clauses (i) through (viii) above and any and all interest payable in respect thereof. Excepted Property shall not include amounts paid by the Lessee to the Owner Trustee pursuant to Sections 7(b) and 7(c) of the Participation Agreement and payable by the Owner Trustee to the Loan Participants pursuant to Section 3.06(b).

"Federal Aviation Act" has the meaning specified therefor in the Lease.

"Indenture Default" means any event that is, or after notice or passage of time, or both, would be, an Indenture Event of Default.

"Indenture Estate" has the meaning specified therefor in the Granting Clause hereof.

"Indenture Event of Default" has the meaning specified therefor in Article 8.

"Independent" when used with respect to an engineer, appraiser or other expert, means an engineer, appraiser or other expert who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company or any Affiliate of the Company, and (iii) is not connected with the Company or any Affiliate of the Company as an officer, employee, promoter, trustee, partner, director or Person performing similar functions.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by the Company on behalf of the Owner Trustee; provided that if the Loan Trustee shall not have received written notice of such an appointment at least 10 days prior to the relevant Redemption Date or Lease Termination Date or if a Lease Event of Default shall have occurred and be continuing, "Independent Investment Banker" shall mean such an institution appointed by the Loan Trustee, with the approval of the Owner Participant (which approval shall not be unreasonably withheld or delayed).

"Initial Bank Lender" means The Mitsubishi Trust and Banking Corporation, New York Branch.

"Installment Equipment Note" shall mean a Pass Through Equipment Note identified in Exhibit B-1 hereto.

"Installment Payment Amount" means, with respect to each Installment Equipment Note and Bank Equipment Note, the amount of the installment payment of principal due and payable on each Installment Payment Date other than the Maturity Date thereof, which amount shall be equal to the product of the original principal amount of such Installment Equipment Note or Bank Equipment Note, as the case may be, and the Installment Payment Percentage for such Installment Payment Date, as set forth in Exhibit B-1 hereto.

"Installment Payment Date" means each date on which an installment payment of principal is due and payable on any Installment Equipment Note or Bank Equipment Note, as set forth in Exhibit B-1 hereto.

"Installment Payment Percentage" means, with respect to each Installment Payment Date, the percentage set forth opposite such Installment Payment Date in Exhibit B-1 hereto.

"Interest Payment Date" means each January 2 and July 2, commencing July 2, 1995.

"Lease" means the Lease Agreement dated as of July 1, 1992 (AA 1992 AF-2) (redesignated AA 1995 PTC Series AB), which Lease, together with Lease Supplement No. 1 thereto dated July 9, 1992, was recorded by the Federal Aviation Administration on July 10, 1992 and assigned Conveyance No. BB19342, as amended as of the date hereof, between the Owner Trustee, as lessor, and the Company, as lessee, as such Lease Agreement may from time to time be

supplemented, amended or modified in accordance with the terms thereof and this Agreement. The term "Lease" shall also include each Lease Supplement entered into pursuant to the terms of the Lease and the Rent Schedule.

"Lease Event of Default" has the meaning specified for the term "Event of Default" in the Lease.

"Lease Loss Payment Date" has the meaning specified for the term "Loss Payment Date" in the Lease.

"Lease Supplement" has the meaning specified therefor in the Lease.

"Lease Termination Date" has the meaning specified for the term "Termination Date" in the Lease.

"Lessor's Liens" has the meaning specified therefor in the Lease.

"Lien" means any mortgage, pledge, Lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Loan Participant" means and includes each registered holder from time to time of an Equipment Note issued hereunder, including each Bank Lender and, so long as it holds any Equipment Notes issued hereunder, the Pass Through Trustee under the Pass Through Trust Agreement.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association, and each other Person which may from time to time be acting as Loan Trustee in accordance with the provisions of this Agreement.

"Make-Whole Amount" means, with respect to the principal amount of any Pass Through Equipment Note to be redeemed or purchased on any Redemption Date, the amount which the Independent Investment Banker determines as of the fourth Business Day prior to such Redemption Date to equal the excess, if any, of (i) the sum of the present values of all the remaining scheduled payments of principal and interest from the Redemption Date to maturity of such Pass Through Equipment Note, discounted semi-annually on each Interest Payment Date at a rate equal to the Treasury Rate, based on a 360-day year of twelve 30-day months, over (ii) the aggregate unpaid principal amount of such Pass Through Equipment Note plus accrued but unpaid interest on such Pass Through Equipment Note (but not any accrued interest in

default). Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Make-Whole Amount shall be payable solely with respect to the Pass Through Equipment Notes, and Make-Whole Amount shall not be calculated or payable with respect to the Bank Equipment Notes.

"Maturity" means, with respect to the Equipment Notes, all of the Equipment Notes maturing on a particular Maturity Date.

"Maturity Date" means each of the dates specified in Exhibit B hereto as a maturity date of Equipment Notes.

"Officers' Certificate" means a certificate signed, in the case of the Company, by (i) the Chairman of the Board of Directors, the President, any Executive Vice President, or any Senior Vice President of the Company, signing alone, or (ii) any Vice President signing together with the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company or, in the case of the Owner Trustee, a Responsible Officer of the Owner Trustee.

"Operative Documents" means this Agreement, the Participation Agreement, the Lease (including the Rent Schedule), each Lease Supplement, the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment), the Purchase Agreement Assignment, the Equipment Notes, the Trust Agreement, the Trust Agreement and Indenture Supplement and the Refunding Agreement.

"Opinion of Counsel" means a written opinion of legal counsel, who in the case of counsel for the Company may be (i) the senior-ranking attorney employed by the Company, (ii) Debevoise & Plimpton or (iii) other counsel designated by the Company and who shall be satisfactory to the Loan Trustee or, in the case of legal counsel for the Owner Trustee, may be (x) Potter Anderson & Corroon or (y) other counsel designated by the Owner Trustee and who shall be satisfactory to the Loan Trustee.

"Outstanding" when used with respect to Equipment Notes, means, as of the date of determination, all Equipment Notes theretofore executed and delivered under this Agreement other than:

(i) Equipment Notes theretofore cancelled by the Loan Trustee or delivered to the Loan Trustee for cancellation pursuant to Section 2.07 or otherwise;

(ii) Equipment Notes for whose payment (but only to the extent of such payment) or redemption money in the necessary amount has been theretofore deposited with the Loan Trustee in trust for the Loan Participants with respect to such Equipment Notes; provided that if such Equipment Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Agreement or provision therefor satisfactory to the Loan Trustee has been made; and

(iii) Equipment Notes in exchange for or in lieu of which other Equipment Notes have been executed and delivered pursuant to this Agreement;

provided, however, that in determining whether the Loan Participants of the requisite aggregate principal amount of Equipment Notes Outstanding have given any request, demand, authorization, declaration, direction, notice, consent or waiver hereunder, Equipment Notes owned by or pledged to the Company or any Affiliate of the Company or the Owner Trustee or the Owner Participant or any Affiliate thereof shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Loan Trustee shall be protected in relying upon any such request, demand, authorization, declaration, direction, notice, consent or waiver, only Equipment Notes which the Loan Trustee knows to be so owned or so pledged shall be disregarded, and except if all Equipment Notes are so owned or pledged. Equipment Notes owned by the Company, or any Affiliate of the Company, the Owner Trustee or the Owner Participant or any Affiliate thereof which have been pledged in good faith may be regarded as Outstanding if the Company, or Owner Trustee or the Owner Participant, as the case may be, establishes to the satisfaction of the Loan Trustee the pledgee's right to act with respect to such Equipment Notes and that the pledgee is not the Company, or any Affiliate of the Company, the Owner Trustee or the Owner Participant or any Affiliate thereof.

"Owner Participant" means AT&T Credit Holdings, Inc., a Delaware corporation, and any other Person or Persons to which the Owner Participant transfers its right, title and interest in and to the Trust Agreement, the Trust Estate and the Participation Agreement, in accordance with Article VIII of the Trust Agreement and Section 16(c) of the

Participation Agreement, and their respective permitted successors and assigns.

"Owner Participant Guarantor" means any provider of any Owner Participant Guaranty.

"Owner Participant Guaranty" means any guaranty delivered pursuant to Section 16(c)(ii) of the Participation Agreement.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity, but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Operative Documents.

"Participation Agreement" has the meaning specified therefor in the Lease.

"Parts" has the meaning specified therefor in the Lease.

"Pass Through Certificate" means any Pass Through Certificate issued pursuant to the Pass Through Trust Agreement.

"Pass Through Equipment Note" means any Equipment Note issued hereunder substantially in the form of Exhibit A hereto as such form may be varied pursuant to the terms hereof, and includes any such Equipment Note issued hereunder in exchange for or replacement of any thereof or upon a reissuance after an assumption by the Company in accordance with Section 7.03.

"Pass Through Trust" means each Pass Through Trust created pursuant to the Pass Through Trust Agreement and a Pass Through Trust Supplement.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement amended and restated as of February 1, 1992 between the Company and the Pass Through Trustee, together with each separate supplement thereto pursuant to which the Pass Through Trustee holds any Equipment Notes, as the same may from time to time be supplemented and amended.

"Pass Through Trust Supplement" means each supplement to the Pass Through Trust Agreement, dated as of June 15, 1995, each between the Company and the Pass Through

Trustee, pursuant to which the Pass Through Trustee holds any Pass Through Equipment Notes, as each may be amended, supplemented or otherwise modified from time to time.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, in its capacity as trustee under the Pass Through Trust Agreement, and such other person that may from time to time be acting as successor trustee under the Pass Through Trust Agreement.

"Past Due Rate" means, (i) for any Pass Through Equipment Note, the rate of interest borne by such Pass Through Equipment Note and (ii) for any Bank Equipment Note, the lesser of (x) the interest rate borne by such Bank Equipment Note plus 1% and (y) the maximum rate permitted by law.

"Paying Agent" means any person acting as Paying Agent hereunder pursuant to Section 2.03.

"Permitted Investment" means each of (i) direct obligations of the United States of America and agencies thereof; (ii) obligations fully guaranteed by the United States of America; (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated under the laws of the United States of America or any state of the United States of America having combined capital and surplus and retained earnings of at least \$500,000,000 (including the Owner Trustee in its individual capacity or the Loan Trustee in its individual capacity if such conditions are met); (iv) bearer note deposits with, or certificates of deposit issued by, or promissory notes of, any subsidiary incorporated under the laws of Canada (or any province thereof) of any bank, trust company or national banking association described in clause (iii) or (viii); provided, however, that such bearer note deposits, certificates or promissory notes are guaranteed by such bank, trust company or national banking association; (v) commercial paper of companies having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally-recognized rating organization in the United States of America) equal to either of the two highest ratings assigned by such organization and not on such organization's "watch list" for possible downgrading below such rating; (vi) U.S. dollar-denominated certificates of deposit issued by, or time deposits with, the European subsidiaries of (a) any bank,

trust company or national banking association described in clause (iii) or (b) any other bank described in clause (viii); provided, however, that such certificates are guaranteed by such bank, trust company or national banking association; (vii) U.S.-issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by, any bank having combined capital and surplus and retained earnings of at least \$500,000,000 and headquartered in Canada, Japan, the United Kingdom, France, the Federal Republic of Germany, Switzerland or The Netherlands; (viii) U.S. dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earnings of at least \$500,000,000; (ix) Canadian Treasury Bills fully hedged to U.S. dollars; (x) repurchase agreements with any financial institution having combined capital and surplus and retained earnings of at least \$100,000,000 (including the Owner Trustee in its individual capacity or the Loan Trustee in its individual capacity if such conditions are met) collateralized by transfer of possession of any of the obligations described in clauses (i) through (ix) above; or (xi) bonds or other debt instruments of any company, if such bonds or other debt instruments, at the time of their purchase, are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at such time, by any nationally recognized rating organization in the United States of America) and not on such organization's "watch list" for possible downgrading below such rating; provided that no investment shall be included within the definition of the term "Permitted Investment" unless (1) in the case of any investment referred to in clause (iii), (vii) or (viii), the bank, trust company or national banking association issuing such investment shall then have its long-term unsecured debt obligations rated one of the two highest ratings obtainable from either Standard and Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such debt obligations at any time, by any nationally recognized rating organization in the United States) (or, in the case of any foreign bank, the equivalent such rating) and not on such organization's "watch list" for possible downgrading below such rating, (2) in the case of any investment referred to in clause (v), the final maturity of such investment is equal to 180 days or less from the date of purchase thereof, and (3) in the case of any investment referred to in clause (iii), (iv), (vi), (vii), (viii), (x) or (xi) the final maturity or date of return of such investment is equal to one year or less from the date of purchase thereof.

"Permitted Liens" has the meaning specified therefor in the Lease.

"Person" has the meaning specified therefor in the Lease.

"Premium Termination Date" means, for any Pass Through Equipment Note, the date specified in Exhibit B hereto as the premium termination date for such Pass Through Equipment Note.

"Purchase Agreement" has the meaning specified therefor in the Lease.

"Purchase Agreement Assignment" has the meaning specified therefor in the Lease.

"Record Date" for the interest or Installment Payment Amount payable on any Interest Payment Date or Installment Payment Date, as the case may be, means the calendar day (whether or not a Business Day) which is 15 calendar days prior to the related Interest Payment Date or the related Installment Payment Date.

"Redemption Date" means the date on which the Equipment Notes are to be redeemed or purchased in lieu of redemption pursuant to Section 6.01 or Section 6.02.

"Redemption Price" means the price at which the Equipment Notes are to be redeemed or purchased in lieu of redemption, determined as of the applicable Redemption Date, pursuant to Section 6.01 or 6.02, as the case may be.

"Refunding Agreement" has the meaning specified therefor in the Lease.

"Refunding Date" means the date on which the Equipment Notes are issued pursuant to Section 2.10.

"Register" has the meaning specified therefor in Section 2.03.

"Registrar" means any person acting as Registrar hereunder pursuant to Section 2.03.

"Related Indemnitee Groups" has the meaning specified therefor in Section 7(b) of the Participation Agreement.

"Rent" has the meaning specified therefor in the Lease.

"Rent Schedule" has the meaning specified therefor in the Lease.

"Replacement Airframe" has the meaning specified therefor in the Lease.

"Replacement Engine" has the meaning specified therefor in the Lease.

"Responsible Company Officer" has the meaning specified for the term "Responsible Officer" in the Lease.

"Responsible Officer", with respect to the Owner Trustee or the Loan Trustee, means any officer in its respective Corporate Trust Department or any officer customarily performing functions similar to those performed by the persons who at the time shall be such respective officers or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"SEC" means the Securities and Exchange Commission.

"Special Purchase Option Date" has the meaning specified therefor in the Lease.

"Special Purchase Price" has the meaning specified therefor in the Lease.

"Special Record Date" for Defaulted Interest or a Defaulted Installment, as the case may be, shall be the date set by the Loan Trustee in accordance with Section 2.08 of the proposed payment of the Defaulted Interest or Defaulted Installment.

"Special Termination Date" has the meaning specified therefor in the Lease.

"Stipulated Loss Value" has the meaning specified therefor in the Lease.

"Supplemental Rent" has the meaning specified therefor in the Lease.

"Swap Breakage Loss" has the meaning specified therefor in the Refunding Agreement. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Swap Breakage Loss shall be payable solely with respect to the Bank Equipment Notes, and Swap Breakage Loss shall not be calculated or payable with respect to the Pass Through Equipment Notes.

"Tax Indemnity Agreement" has the meaning specified therefor in the Lease.

"Termination Value" has the meaning specified therefor in the Lease.

"Treasury Rate" means, with respect to each Pass Through Equipment Note to be redeemed or purchased, a per annum rate (expressed as a semiannual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield), determined to be the per annum rate equal to the semiannual yield to maturity of United States Treasury securities maturing on the Average Life Date of such Pass Through Equipment Note, as determined by interpolation between the most recent weekly average yields to maturity for two series of United States Treasury securities, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Pass Through Equipment Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Pass Through Equipment Note, in each case as published in the most recent H.15(519) (or, if a weekly average yield to maturity of United States Treasury securities maturing on the Average Life Date of such Pass Through Equipment Note is reported in the most recent H.15(519), as published in H.15(519)). H.15(519) means "Statistical Release H.15(519), Selected Interest Rates," or any successor publication, published by the Board of Governors of the Federal Reserve System. The most recent H.15(519) means the latest H.15(519) which is published prior to the close of business on the fourth Business Day preceding the Redemption Date. For purposes hereof, "Average Life Date" means, with respect to each Pass Through Equipment Note to be redeemed, the date which follows the Redemption Date by a period equal to the Remaining Weighted Average Life of such Pass Through Equipment Note. For purposes hereof, "Remaining Weighted Average Life" means, for any Pass Through Equipment Note, as of any date of determination, the number of days equal to the quotient obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment of principal, including the payment due

on the Maturity Date of such Pass Through Equipment Note by (ii) the number of days from and including the Redemption Date to but excluding the scheduled payment date of such principal payment; by (b) the then unpaid principal amount of such Pass Through Equipment Note.

"Trust Agreement" has the meaning specified therefor in the Lease.

"Trust Agreement and Indenture Supplement" means any supplement to the Trust Agreement and this Agreement in the form of Exhibit C hereto.

"Trust Estate" has the meaning specified therefor in the Trust Agreement.

"Trust Indenture and Security Agreement" or "this Agreement" or "this Indenture" means this Trust Indenture and Security Agreement (AA 1995 PTC Series AB), as the same may from time to time be supplemented, amended or modified.

"Trustee's Liens" has the meaning specified therefor in Section 9.09.

"U.S. Government Obligations" means securities that are direct obligations of the United States of America for the payment of which its full faith and credit is pledged which are not callable or redeemable, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt so long as such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

## ARTICLE 2

### THE EQUIPMENT NOTES

Section 2.01. Equipment Notes; Title, Dating and Terms. (a) The Equipment Notes issued hereunder shall be designated as 1995 Equipment Notes, Series AB. The Pass Through Equipment Notes shall be substantially in the form

set forth in Exhibit A hereto, and the Bank Equipment Notes shall be substantially in the form of Exhibit A-1 hereto. The Equipment Notes shall be dated the date of issuance thereof, shall be issued in the maturities and principal amounts and shall bear interest as specified in Exhibit B hereto. The principal of each Equipment Note, other than the Installment Equipment Notes and Bank Equipment Notes, shall be payable in full on the Maturity Date for such Equipment Note. The principal of each Installment Equipment Note and Bank Equipment Note shall be payable in installments, on each Installment Payment Date and the related Maturity Date, in amounts equal to the relevant Installment Payment Amount for such Installment Payment Date. In the event any amount of interest or Installment Payment amount payable under any Equipment Note is not paid when due, to the extent permitted by applicable law interest shall accrue on such amounts at the Past Due Rate applicable to the Equipment Note for which such amounts are due. Each Equipment Note shall be issued on original issuance to the Pass Through Trustee under the Pass Through Trust Agreement or to the Initial Bank Lender as set forth in Exhibit B-2 hereto.

(b) The Equipment Notes shall be issued in registered form only. The Pass Through Equipment Notes shall be issued in denominations of \$1,000 and integral multiples thereof except that one such Equipment Note of each maturity may be in an amount that is not an integral multiple of \$1,000. The Bank Equipment Notes shall be issued in denominations of not less than \$5,000,000. The Equipment Notes are not redeemable prior to their respective Maturity Dates except as provided in this Agreement.

All computations of interest accruing on any Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months.

The principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes shall be payable in immediately available funds at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for such purpose pursuant to Section 2.03 or as otherwise directed in the manner herein provided.

All payments in respect of the Equipment Notes shall be made in United States dollars.

Section 2.02. Execution and Authentication. (a) Equipment Notes shall be executed on behalf of the Owner Trustee by the manual or facsimile signature of its President, a senior vice president, a vice president, an assistant vice president, its treasurer, its secretary, an assistant secretary, an assistant treasurer or other authorized officer.

(b) If any officer of the Owner Trustee executing the Equipment Notes or attesting to the Owner Trustee's seal no longer holds that office at the time the Equipment Note is executed on behalf of the Owner Trustee, the Equipment Note shall be valid nevertheless.

(c) At any time and from time to time after the execution of the Equipment Notes, the Owner Trustee may deliver such Equipment Notes to the Loan Trustee for authentication and, subject to the provisions of Section 2.10, the Loan Trustee shall authenticate the Equipment Notes by manual signature upon written orders of the Owner Trustee. Equipment Notes shall be authenticated on behalf of the Loan Trustee by any authorized officer or signatory of the Loan Trustee.

(d) An Equipment Note shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Owner Trustee by the manual or facsimile signature of the officer of the Owner Trustee specified in Section 2.02(a) and until authenticated on behalf of the Loan Trustee by the manual signature of the authorized officer or signatory of the Loan Trustee as specified in Section 2.02(c). Such signatures shall be conclusive evidence that such Equipment Note has been duly executed, authenticated and issued under this Agreement.

Section 2.03. Registrar and Paying Agent. The Loan Trustee shall maintain an office or agency where the Equipment Notes may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where (subject to Sections 2.04 and 2.08) the Equipment Notes may be presented for payment or for exchange (the "Paying Agent"). The Registrar shall keep a register (the "Register") with respect to the Equipment Notes and their transfer and exchange and the payment of Installment Payment Amounts thereon, if any. The Loan Trustee may appoint one or more co-registrars (the "Co-Registrars") and one or more additional Paying Agents for the Equipment Notes and the Loan Trustee may terminate the appointment of any Co-Regis-

trar or Paying Agent at any time upon written notice. The term "Registrar" includes any Co-Registrar. The term "Paying Agent" includes any additional Paying Agent.

The Loan Trustee shall initially act as Registrar and Paying Agent.

Section 2.04. Transfer and Exchange. (a) At the option of a Loan Participant, Equipment Notes may be exchanged for an equal aggregate principal amount of other Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferred upon surrender of the Equipment Notes to be exchanged or transferred at the principal corporate trust office of the Loan Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.03. Whenever any Equipment Note or Equipment Notes are so surrendered, the Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver, the replacement Equipment Note or Equipment Notes which the Loan Participant or the transferee, as the case may be, is entitled to receive.

All Equipment Notes issued upon any registration of transfer or exchange of Equipment Notes shall be the valid obligations of the Owner Trustee, evidencing the same obligations, and entitled to the same security and benefits under this Agreement, as the Equipment Notes surrendered upon such registration of transfer or exchange.

Every Equipment Note presented or surrendered for registration of transfer or exchange shall (if so required by the Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Loan Participant thereof or such Loan Participant's attorney duly authorized in writing.

No service charge shall be made to a Loan Participant for any registration of transfer or exchange of Equipment Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Equipment Notes.

The Registrar shall not be required (i) to register the transfer of or to exchange any Equipment Note during a period beginning at the opening of business 15 Business Days before the day of the mailing of a notice of redemption (or purchase in lieu of redemption) of Equipment Notes pursuant to Section 6.01 or 6.02 and ending at the

close of business on the day of such mailing, or (ii) to register the transfer of or to exchange any Equipment Note called for redemption (or purchase in lieu of redemption) pursuant to such Section 6.01 or 6.02.

Notwithstanding anything to the contrary set forth herein, the transfer of any Bank Equipment Note shall not be registered pursuant to this Section 2.04 unless such transfer shall have been effected pursuant to and in accordance with the terms and conditions of Section 10(e) or 14(b) of the Refunding Agreement.

(b) The Equipment Notes may not be purchased by or transferred to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or individual retirement account or employee benefit plan subject to Section 4975 of the Internal Revenue Code, as amended (each an "ERISA Plan") or by any other entity whose assets constitute assets of an ERISA Plan unless one of the Underwriter Exemptions (as defined below) applies to such purchase. The purchase by a Person of any Equipment Note constitutes a representation by such Person to the Company, the Owner Participant, the Owner Trustee and the Loan Trustee that either (i) such Person is not an ERISA Plan and that such Person is not acquiring, and has not acquired, such Equipment Note with assets of an ERISA Plan or (ii) one of the Underwriter Exemptions applies to such purchase. For purposes of this paragraph, "Underwriter Exemption" means any one of the administrative exemptions granted by the United States Department of Labor to J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc (Prohibited Transaction Exemption 90-23, Exemption Application No. D-7989, 55 Fed. Reg. 20,545 (1990), Prohibited Transaction Exemption 90-24 et al., Exemption No. D-8019 et al., 55 Fed. Reg. 20,548 (1990) and Prohibited Transaction Exemption 89-89, Exemption Application No. D-6446, as amended, 55 Fed. Reg. 48,939 (1990), respectively).

(c) The purchase by a Person of any Equipment Note constitutes an agreement by such Person with the Company, the Owner Participant, the Owner Trustee and the Loan Trustee to the terms of, and to be bound by and to observe the provisions applicable to such Person contained in, the Equipment Notes, the Participation Agreement, the Refunding Agreement, the provisions herein and the other documents and agreements referred to therein.

Section 2.05. Loan Participant Lists; Ownership of Equipment Notes.

(a) The Loan Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Loan Participants. If the Loan Trustee is not the Registrar, the Registrar shall furnish (and the Owner Trustee shall cause the Registrar to furnish) to the Loan Trustee semiannually on or before each Interest Payment Date, and at such other times as the Loan Trustee may request in writing, a list, in such form and as of such date as the Loan Trustee may reasonably require, containing all the information in the possession or control of the Registrar as to the names and addresses of Loan Participants.

(b) Ownership of the Equipment Notes shall be proved by the Register kept by the Registrar. Prior to due presentment for registration of transfer of any Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent and the Registrar shall deem and treat the Person in whose name any Equipment Note is registered as the absolute owner of such Equipment Note for the purpose of receiving payment of principal (including, subject to the provisions herein regarding the applicable record dates, Installment Payment Amounts) of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and (subject to the provisions herein regarding the applicable record dates) interest on such Equipment Note and for all other purposes whatsoever, whether or not such Equipment Note is overdue, and none of the Owner Trustee, the Loan Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Equipment Notes.

If any Equipment Note shall become mutilated, destroyed, lost or stolen, the Owner Trustee shall, upon the written request of the related Loan Participant, issue and execute, and the Loan Trustee shall authenticate and deliver, in replacement thereof, a new Equipment Note of the same type, having the same Maturity Date, payable to the same Loan Participant in the same principal amount and dated the same date as the Equipment Note so mutilated, destroyed, lost or stolen. If the Equipment Note being replaced has become mutilated, such Equipment Note shall be surrendered to the Loan Trustee. If the Equipment Note being replaced has been destroyed, lost or stolen, the related Loan Participant shall furnish to the Owner Trustee and the Loan Trustee such security or indemnity as may be required by each of them to save the Owner Trustee and the Loan Trustee harmless (it being understood

that an unsecured undertaking to indemnify each such party delivered in writing and in a form reasonably satisfactory to the Owner Trustee and the Loan Trustee by the Initial Bank Lender shall satisfy such requirement) and evidence satisfactory to the Owner Trustee and the Loan Trustee of the destruction, loss or theft of such Equipment Note and of the ownership thereof.

Section 2.07. Cancellation. The Registrar and any Paying Agent shall forward to the Loan Trustee all Equipment Notes surrendered to them for replacement, redemption, registration of transfer, exchange or payment. The Loan Trustee shall cancel all Equipment Notes surrendered for replacement, redemption, registration or transfer, exchange, payment or cancellation and shall destroy cancelled Equipment Notes.

Section 2.08. Payment on Equipment Notes; Defaulted Interest. (a) The Loan Trustee will arrange directly with any Paying Agent for the payment, or the Loan Trustee will make payment, all pursuant to Section 2.09, of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on or in respect of the Equipment Notes. Payments on the Equipment Notes in respect of interest and Installment Payment Amounts, if any, payable on an Installment Payment Date, shall be paid in immediately available funds in U.S. currency on each Interest Payment Date or Installment Payment Date, as the case may be, to the Loan Participant in whose name such Equipment Note is registered on the Register at the close of business on the relevant Record Date and, in the case of the Bank Equipment Notes, in such manner (by wire transfer of immediately available funds if not otherwise specified) as specified in Schedule I to the Refunding Agreement or as each Bank Lender shall have otherwise designated in writing to the Loan Trustee on or prior to such Record Date; provided, however, that, in the case of Pass Through Equipment Notes, the Paying Agent will, at the request of the Loan Trustee, and may, at its option, pay such interest or Installment Payment Amounts by check mailed to such Loan Participant's address as it appears on the Register. The Paying Agent shall cause each payment to the Bank Lenders to be made by 4:00 pm on the day the Paying Agent receives such payment, provided such payment is received in immediately available funds by the Paying Agent by 1:00 pm on such day. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and time specified, Paying Agent, in its individual capacity

and not as Paying Agent, hereby agrees to compensate any Bank Lender for the loss of use of such funds.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to a Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name such Bank Equipment Note is registered in the Register hereunder, under such Bank Equipment Note, under the Participation Agreement and under the Refunding Agreement, such Bank Lender shall surrender such Bank Equipment Note to the Loan Trustee for cancellation.

A Loan Participant shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal amount of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on all Equipment Notes held by such Loan Participant and all other sums due and payable to such Loan Participant hereunder, under such Equipment Notes, under the Participation Agreement and under the Refunding Agreement shall have been paid in full.

(b) Any Installment Payment Amount payable on an Installment Payment Date, or any interest payable on an Interest Payment Date on any Equipment Note which is not punctually paid on, or within 5 days after, such Installment Payment Date or such Interest Payment Date, as the case may be (herein called, respectively, a "Defaulted Installment" and "Defaulted Interest"), shall forthwith cease to be payable to the Loan Participant on the relevant Record Date by virtue of its having been such Loan Participant; and such Defaulted Installment or Defaulted Interest may be paid by the Loan Trustee, at its election in each case, as provided, in the case of the Pass Through Equipment Notes, in clause (1) or (2) below and, in the case of Bank Equipment Notes, in clause (3) below:

(1) The Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Person in whose name a Pass Through Equipment Note is

registered at the close of business on a special record date for the payment of such Defaulted Installment or Defaulted Interest, which shall be fixed in the following manner. The Loan Trustee shall notify the Paying Agent in writing of the amount of the Defaulted Installment or Defaulted Interest proposed to be paid on each such Pass Through Equipment Note and the date of the proposed payment, and at the same time the Loan Trustee shall make arrangements to set aside an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Installment or Defaulted Interest, prior to the date of the proposed payment, to be held in trust for the benefit of the Persons entitled to such Defaulted Installment or Defaulted Interest as this clause provides and shall fix a special record date for the payment of such Defaulted Installment or Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment. The Loan Trustee shall promptly notify the Owner Trustee and the Registrar of such special record date and shall cause notice of the proposed payment of such Defaulted Installment or Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Loan Participant entitled thereto at such Loan Participant's address as it appears in the Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Installment or Defaulted Interest and the special record date therefor having been mailed, as aforesaid, such Defaulted Installment or Defaulted Interest shall be paid to the Persons in whose names the applicable Equipment Notes are registered on such special record date and shall no longer be payable pursuant to the following clause (2).

(2) The Loan Trustee may make, or cause to be made, payment of any Defaulted Installment or Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which Pass Through Equipment Notes may be listed, and upon such notice as may be required by such exchange, if such payment shall be deemed practicable by the Loan Trustee.

(3) In the case of a Bank Equipment Note, the Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Bank Lender in

whose name such Bank Equipment Note is registered in the Register at the time of such payment.

(c) The Loan Trustee shall require each Paying Agent to agree in writing that such Paying Agent will hold in trust, for the benefit of the Loan Participants entitled thereto and the Loan Trustee, all money held by the Paying Agent for the payment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, the Equipment Notes, or any other amount payable to the Loan Participants hereunder or under any other Operative Document, and shall give to the Loan Trustee notice of any default by any obligor upon the Equipment Notes in the making of any such payment upon the Equipment Notes. The Loan Trustee at any time may require a Paying Agent to repay to the Loan Trustee all money held by it. Upon so doing the Paying Agent shall have no further liability for the money so paid.

Section 2.09. Payment from Indenture Estate Only; Non-Recourse Obligations. Notwithstanding any other provision herein or in the Equipment Notes to the contrary, all amounts payable by the Loan Trustee and the Owner Trustee under the Equipment Notes and this Agreement shall be made only from the income and proceeds of the Indenture Estate and each Loan Participant, by its acceptance of such Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for the payment of such amounts, to the extent available for distribution to it as herein provided, and (b) none of the Owner Trustee, the Owner Participant or the Loan Trustee is or shall be personally liable to any Loan Participant for any amount payable under such Equipment Note or this Agreement or, except as expressly provided in this Agreement in the case of the Owner Trustee and the Loan Trustee, for any liability thereunder or hereunder.

Wilmington Trust Company is entering into this Agreement solely as Owner Trustee under the Trust Agreement and not in its individual capacity, and in no case whatsoever shall Wilmington Trust Company (or any entity acting as successor trustee under the Trust Agreement) be personally liable for, or for any loss in respect of, any statements, representations, warranties, agreements or obligations hereunder or thereunder; provided that Wilmington Trust Company shall be liable hereunder in its individual capacity, (i) for the performance of its agreements undertaken in its individual capacity under Section 8 of the Participation Agreement, (ii) for the performance of its

agreements undertaken in its individual capacity under Section 9 of the Refunding Agreement and (iii) for its own willful misconduct or gross negligence. If a successor Owner Trustee is appointed in accordance with the terms of the Trust Agreement and the Participation Agreement, such successor Owner Trustee shall, without any further act, succeed to all of the rights, duties, immunities and obligations hereunder, and its predecessor Owner Trustee and Wilmington Trust Company shall be released from all further duties and obligations hereunder, without prejudice to any claims against Wilmington Trust Company or such predecessor Owner Trustee for any default by Wilmington Trust Company or such predecessor Owner Trustee, respectively, in the performance of its obligations hereunder prior to such appointment.

Section 2.10. Execution and Delivery of Equipment Notes upon Original Issuance. The Owner Trustee shall issue and execute, and the Loan Trustee shall authenticate and deliver, the Equipment Notes for original issuance only upon Company Request and upon payment by the Loan Participants pursuant to the Refunding Agreement of an aggregate amount equal to the aggregate original principal amount of the Equipment Notes.

### ARTICLE 3

#### RECEIPT, DISTRIBUTION AND APPLICATION OF FUNDS IN THE INDENTURE ESTATE

Section 3.01. Payment upon Issuance of Equipment Notes. On the Refunding Date, the Owner Trustee shall apply, or cause to be applied, the proceeds of the sale of the Equipment Notes to the redemption of the certificates issued pursuant to the Original Indenture.

Section 3.02. Payment in Case of Termination of Lease or Redemption of Equipment Notes. In the event the Equipment Notes are redeemed (or purchased in lieu of redemption) in accordance with the provisions of Section 6.01 or 6.02, the Loan Trustee will apply on the Redemption Date, or in the event of amounts distributable to the Owner Trustee in accordance with clause fourth below, on the Lease Termination Date, any amounts then held by it in the Indenture Estate and received by it from or on behalf of the Company or the Owner Trustee (including, without limitation, Swap Breakage Loss, if any, payable in respect of the Bank Equipment Notes, whether or not constituting part of

the applicable Redemption Price), in the following order of priority:

first, so much thereof as was received by the Loan Trustee with respect to the amounts due to it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much thereof as shall be required to pay the Redemption Price on the Outstanding Equipment Notes pursuant to Section 6.01 or 6.02, as the case may be, on the Redemption Date shall be applied to the redemption (or purchase in lieu of redemption) of the Equipment Notes on the Redemption Date;

third, so much thereof as shall be required to pay the amounts described in clauses "fifth" and "eighth" of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, thereof remaining after amounts specified in clauses first, second, and third have been applied or set aside for application shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Trust Agreement.

Section 3.03. Application of Rent When No Indenture Event of Default Is Continuing. Each amount of Rent received by the Loan Trustee from the Owner Trustee or the Company, together with any amount received by the Loan Trustee pursuant to Section 8.03(e)(i) hereof, shall, except as otherwise provided in Section 3.02, 3.04, 3.05 or 3.06, be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay in full the principal of, and interest then due on all Outstanding Equipment Notes shall be distributed to the Persons entitled thereto;

second, so much of such aggregate amount remaining as shall be required to pay any amount due the Loan Trustee pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

third, so much thereof as shall be required to pay the amounts described in clauses "fifth" and "eighth"

of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee for distribution in accordance with the terms of the Trust Agreement.

Section 3.04. Application of Certain Payments in Case of Requisition or Event of Loss. Except as otherwise provided in Section 3.05, any amounts received directly or through the Company from any governmental authority or other Person pursuant to Section 10 of Lease with respect to the Airframe or the Airframe and the Engines or engines then installed on the Airframe as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to said Section 10, and any amounts of insurance proceeds for damage to the Indenture Estate received directly or through the Company from any insurer pursuant to Section 11 of the Lease with respect thereto as the result of an Event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to said Section 11, shall, except as otherwise provided in the next sentence, be applied in reduction of the Company's obligations to pay Stipulated Loss Value as provided in the Lease and the remainder, if any, shall, except as provided in the next sentence, be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Lease. Notwithstanding Section 3.05 hereof, any amounts held by the Loan Trustee, including, without limitation, pursuant to Section 10 or 11 of the Lease, which are payable to the Lessee pursuant to the terms of the Lease or held by the Loan Trustee in accordance with Section 25 of the Lease shall be (i) so paid to the Lessee or (ii) held by the Loan Trustee as security for the obligations of the Lessee, in each case in accordance with the applicable provisions of the Lease.

Section 3.05. Payments During Continuance of Indenture Event of Default. Except as otherwise provided in Section 3.02 or the last sentence of Section 3.04, all payments (except Excepted Property) received and amounts held or realized by the Loan Trustee after an Indenture Event of Default shall have occurred and be continuing (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Loan Trustee as part of the Indenture Estate while such Indenture

Event of Default shall be continuing, shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expense is liquidated) in using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements of and to the Indenture Estate and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Owner Trustee and, to the extent permitted under the Lease, the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

third, so much of such payments or amounts remaining as shall be required to pay the principal of and accrued interest on all Equipment Notes Outstanding payable to the Loan Participants then due and payable, whether by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal and interest; and in case the aggregate amount remaining shall be insufficient to pay in full the whole amount so due and unpaid, then such amount shall be applied to the payment of such principal and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts;

fourth, so much of such payments or amounts remaining as shall be required to pay the Make-Whole Amount, if any, and the Swap Breakage Loss, if any, as the case may be, then due and payable to any Loan Participant pursuant to Section 6.01 or 6.02 hereof but

unpaid shall be applied ratably to the payment of such Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be (but only to the extent that such Make-Whole Amount or Swap Breakage Loss is payable or arises in connection with the occurrence of an Indenture Event of Default that is not a Lease Event of Default); and, in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant bears to the aggregate amount due all such Loan Participants under this clause fourth;

fifth, so much of such payments or amounts remaining as shall be required to pay to each Loan Participant all other amounts payable pursuant to the indemnification provisions of Section 7(b) or 7(c) of the Participation Agreement, pursuant to Section 14 of the Refunding Agreement or pursuant to any other provision of this Indenture or any Operative Document (excluding, in any case, any amounts payable pursuant to clause "second" or "third" of this Section 3.05 or amounts constituting a Make-Whole Amount or Swap Breakage Loss) to such Loan Participant or to its predecessors and remaining unpaid shall be distributed to such Loan Participant for distribution to itself and such predecessors, as their interests may appear, and if the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant under this clause "fifth" bears to the aggregate amount due all such Loan Participants under this clause "fifth";

sixth, so much of such payments or amounts remaining thereafter shall be held by the Loan Trustee as collateral security for the obligations secured hereby until such time as no Indenture Event of Default shall be continuing hereunder or the Equipment Notes have been accelerated and all amounts due thereon (other than any Swap Breakage Loss) have been paid, at which time so much of such payments or amounts remaining as shall be required to pay an amount which, when aggregated with any prior distributions pursuant to this clause "sixth", shall be equal to the sum of

(a) the excess, if any, of (i) the Termination Value for the Aircraft, computed as of the date of distribution pursuant to this clause "sixth" (the "Distribution Date"), over (ii) the aggregate principal amount of the Outstanding Equipment Notes as of the Distribution Date, plus (b) all other Supplemental Rent then due and owing to the Owner Trustee or the Owner Participant shall be distributed to the Owner Trustee to be held or distributed in accordance with the provisions of the Trust Agreement; provided that at such time as one or more Lease Events of Default shall have occurred and any such Lease Event of Default shall have continued for a period of 180 days during which the Equipment Notes could, but shall not, have been accelerated pursuant to Section 8.02, the amounts which would have been payable to the Owner Trustee pursuant to this clause "sixth" but for the occurrence of such Lease Event of Default shall be so paid to the Owner Trustee;

seventh, so much of such payments or amounts remaining as shall be required to pay the Swap Breakage Loss, if any, then due and payable to the Bank Lenders (to the extent that such Swap Breakage Loss is payable or arises in connection with an Indenture Event of Default that is also a Lease Event of Default) shall be applied to the payment of such Swap Breakage Loss, if any; and in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably without priority of any Bank Lender over any other Bank Lender, in the proportion that the aggregate amount due to each such Bank Lender bears to the aggregate amount due all such Bank Lenders under this clause "seventh"; and

eighth, so much of such payments or amounts remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the provisions of the Trust Agreement, so long as no Indenture Event of Default exists other than by virtue of such Lease Event of Default.

Section 3.06. Certain Payments. (a) Except as otherwise provided in this Agreement, any payment received by the Loan Trustee for which provision as to the application thereof is made in the Lease or the Participation Agreement shall be distributed to the Person for whose benefit such payments were made. Notwithstanding anything in this Article 3 or elsewhere in this Agreement to the con-

trary, the Loan Trustee shall be obligated to distribute and shall distribute to the Owner Participant or the Owner Trustee, as the case may be, any Excepted Property received by the Loan Trustee promptly upon receipt thereof by the Loan Trustee.

(b) Except as otherwise provided in Section 3.05, the Loan Trustee will distribute promptly upon receipt any indemnity or other payment received by it from the Owner Trustee or the Company in respect of the Loan Trustee in its individual capacity or any Loan Participant pursuant to Section 7(b) or 7(c) of the Participation Agreement or, in the case of any Bank Lender, Section 14(a) of the Refunding Agreement directly to the Person entitled thereto as such Person's interest may appear.

Section 3.07. Payments for Which No Application Is Otherwise Provided. Except as otherwise provided in Section 3.05:

(a) any payment received by the Loan Trustee for which no provision as to the application thereof is made elsewhere in this Agreement, and

(b) any payment received and amounts realized by the Loan Trustee with respect to the Aircraft to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this Agreement or for the defeasance of the Equipment Notes shall have been satisfied, as well as any other amounts remaining as part of the Indenture Estate after such satisfaction shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts; and

second, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Trust Agreement, the Lease or the Participation Agreement.

## ARTICLE 4

## COVENANTS OF OWNER TRUSTEE

Section 4.01. Covenants of Owner Trustee. The Owner Trustee hereby covenants and agrees that:

(a) it will, subject always to Section 2.09, pay or cause to be paid when due all amounts of principal and interest due under the Equipment Notes (in any case, without duplication of amounts theretofore paid to the Loan Trustee in respect thereof), and if received from the Company as Supplemental Rent, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and any other amount due under the Equipment Notes;

(b) it will not suffer to exist any Lessor's Lien attributable to it in its individual capacity with respect to the Indenture Estate;

(c) in the event that any Responsible Officer of the Owner Trustee shall have actual knowledge of an Indenture Event of Default or Indenture Default or an Event of Loss, the Owner Trustee will give prompt written notice thereof to the Loan Trustee, the Owner Participant and the Company;

(d) it will not, except as contemplated by the Operative Documents or with the consent of the Loan Trustee, contract for, create, incur, assume or suffer to exist any Debt, and will not guarantee (directly or indirectly or by an instrument having the effect of assuming another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the Debt of any other Person; and

(e) it will not, in its capacity as Owner Trustee, engage in any business or other activity, except as contemplated hereby or by the other Operative Documents.

## ARTICLE 5

DISPOSITION, SUBSTITUTION AND RELEASE  
OF PROPERTY INCLUDED IN THE INDENTURE ESTATE DURING  
CONTINUATION OF LEASE

Section 5.01. Disposition, Substitution and Release of Property Included in the Indenture Estate During Continuation of Lease. So long as the Lease is in effect:

(a) Parts. Any Parts and alterations, improvements and modifications in and additions to the Aircraft shall, to the extent required or specified by the Lease, become subject to the Lien of this Agreement and be leased to the Company under the Lease; provided that, to the extent permitted by and as provided in the Lease, the Company shall have the right, at any time and from time to time, without any release from or consent by the Owner Trustee or the Loan Trustee, to remove, replace and pool Parts and to make alterations, improvements and modifications in, and additions to, the Aircraft. The Loan Trustee agrees that, to the extent permitted by and as provided in the Lease, title to any such removed or replaced Part shall vest in the Company. The Loan Trustee shall from time to time execute an appropriate written instrument or instruments to confirm the release of the security interest of the Loan Trustee in any Part as provided in this Section 5.01, in each case upon receipt by the Loan Trustee of a Company Request stating that said action was duly taken by the Company in conformity with this Section 5.01 and that the execution of such written instrument or instruments is appropriate to evidence such release of a security interest under this Section 5.01.

(b) Substitution Under the Lease upon an Event of Loss Occurring to Airframe or Engines or upon Voluntary Termination of Lease with Respect to Engines. Upon (i) the occurrence of an Event of Loss occurring to the Airframe or an Engine, or (ii) a voluntary termination of the Lease with respect to an Engine, the Company may, in the case of an Event of Loss which has occurred to the Airframe, or shall, in the case of an Event of Loss which has occurred to or termination of the Lease with respect to an Engine, substitute an airframe or engine, as the case may be, in which case, upon satisfaction of all conditions to such substitution specified in Section 10 of the Lease, the Loan Trustee shall release all of its right, interest and Lien in and to the Airframe or such Engine in accordance with the provisions of the following two sentences. The Loan Trustee

shall execute and deliver to the Owner Trustee an instrument releasing its Lien in and to the Airframe or such Engine and shall execute for recording in public offices, at the expense of the Owner Trustee (if requested by the Owner Trustee) or the Company (if requested by the Company), such instruments in writing as the Owner Trustee or the Company shall reasonably request and as shall be reasonably acceptable to the Loan Trustee in order to make clear upon public records that such Lien has been released under the laws of the applicable jurisdiction. The Owner Trustee hereby waives and releases any and all rights existing or that may be acquired to any penalties, forfeit or damages from or against the Loan Trustee for failure to execute and deliver any document in connection with the release of a Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of a Lien, except for failure by the Loan Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by the Owner Trustee or the Company.

## ARTICLE 6

### REDEMPTION OF EQUIPMENT NOTES

Section 6.01. Redemption of Equipment Notes upon Event of Loss, Termination of the Lease or Optional Redemption. (a) Upon the occurrence of an Event of Loss to the Aircraft if the Aircraft is not replaced pursuant to Section 10(a)(i) of the Lease, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid outstanding principal amount thereof together with accrued and unpaid interest thereon to, but excluding, the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.01(a) shall be the Lease Loss Payment Date.

(b) (1) Upon termination of the Lease pursuant to Section 9(a) of the Lease or upon purchase of the Aircraft by the Company at its option pursuant to Section 9(e) or 20(b) of the Lease (unless the Company shall have assumed the rights and obligations of the Owner Trustee hereunder to the extent and as provided for in Section 7.03 hereof), each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest

thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this clause (1) shall be the Special Termination Date in case the Company purchases the Aircraft pursuant to Section 9(e) of the Lease, or the Special Purchase Option Date in case the Company purchases the Aircraft pursuant to Section 20(b) of the Lease, or otherwise shall be the third Business Day following the Lease Termination Date.

(2) Upon the request of the Owner Trustee upon at least 30 days' prior notice to the Loan Trustee, provided that, so long as no Lease Event of Default shall have occurred and be continuing, the Owner Trustee shall have received written consent to such redemption from the Company prior to the giving of such notice, each Outstanding Equipment Note shall be redeemed (or purchased in lieu of redemption) in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed or purchased prior to the Premium Termination Date applicable to such Pass Through Equipment Note (unless such redemption or purchase is pursuant to Section 6.02), Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed or purchased pursuant to this clause (2) shall be the date designated in the notice of the Owner Trustee, which shall be a Business Day. If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

(3) Upon the request of the Owner Trustee (i) upon at least 30 days' prior irrevocable notice to the Loan Trustee in the case of the Pass Through Equipment Notes or (ii) upon at least five days' notice to the Loan Trustee in the case of the Bank Equipment Notes, and provided that (A) the Owner Trustee shall have received written consent to such redemption from the Company prior to the giving of such notice and (B) all outstanding equipment notes then held in

the same Pass Through Trust or by the same Bank Lender, as the case may be, are simultaneously being redeemed, each Outstanding Equipment Note having the maturity or being held by the Bank Lender designated by the Owner Trustee in such notice shall be redeemed at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this clause (3) shall be the date designated in the notice of the Owner Trustee, which shall be a Business Day. If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

Section 6.02. Redemption or Purchase of Equipment Notes upon Certain Indenture Events of Default. If the Owner Trustee or the Owner Participant gives the notice specified in Section 8.03(e)(ii), then each Outstanding Equipment Note shall be redeemed (or purchased in lieu of redemption) in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof, together with accrued and unpaid interest thereon to but excluding the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, payable in respect of the Bank Equipment Notes in connection with any Indenture Event of Default that is not a Lease Event of Default, but in all cases without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed (or purchased in lieu of redemption) pursuant to this Section 6.02 shall be the date specified in the notice given by the Owner Trustee to the Loan Trustee pursuant to Section 8.03(e)(ii). If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

Section 6.03. Notice of Redemption to Loan Participants. Notice of redemption or purchase with respect to the Equipment Notes shall be given by first-class mail, postage prepaid, mailed not less than 25 nor more than 60 days prior to the Redemption Date (except that, with respect to any Bank Equipment Notes for which a shorter period of

notice to the Loan Trustee is provided, written notice shall be given to each affected Bank Lender as promptly as practicable after the Loan Trustee receives such notice), to each Loan Participant of such Equipment Notes to be redeemed or purchased, at such Loan Participant's address appearing in the Register; provided that, in the case of a redemption to be made pursuant to Section 6.01(b), such notice shall be revocable and shall be deemed revoked in the event that the Lease does not in fact terminate on the Lease Termination Date or if notice of such redemption shall have been given in connection with a refinancing of Equipment Notes and the Loan Trustee receives written notice of such revocation from the Company or the Owner Trustee not later than three Business Days prior to the Redemption Date.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,
- (3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Equipment Note, and that, if any such Equipment Notes are then Outstanding, interest on such Equipment Notes shall cease to accrue on and after such Redemption Date, and
- (4) the place or places where such Equipment Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption or purchase of Equipment Notes to be redeemed or purchased shall be given by the Loan Trustee.

Section 6.04. Deposit of Redemption Price. On or before the Redemption Date, the Owner Trustee (or any person on behalf of the Owner Trustee) shall, to the extent an amount equal to the Redemption Price for the Equipment Notes to be redeemed or purchased on the Redemption Date shall not then be held in the Indenture Estate, deposit or cause to be deposited with the Loan Trustee or the Paying Agent by 12:00 Noon on the Redemption Date in immediately available funds the Redemption Price of the Equipment Notes to be redeemed or purchased.

Section 6.05. Equipment Notes Payable on Redemption Date. Notice of redemption or purchase having been

given as aforesaid (and not deemed revoked as contemplated in the proviso to Section 6.03), the Equipment Notes to be redeemed or purchased shall, on the Redemption Date, become due and payable at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for such purposes pursuant to Section 2.03, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Equipment Notes then outstanding shall cease to bear interest. Promptly following payment of such Redemption Price with respect to any Bank Equipment Note, the Bank Lender holding such Bank Equipment Note shall surrender such Bank Equipment Note to the Loan Trustee. Upon surrender of any Pass Through Equipment Note for redemption or purchase in accordance with said notice such Equipment Note shall be paid at the Redemption Price.

If any Equipment Note called for redemption or purchase shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate in effect for such Equipment Note as of such Redemption Date.

#### ARTICLE 7

##### CERTAIN COVENANTS

Section 7.01. Repayment of Monies for Equipment Note Payments Held by the Loan Trustee. Any money held by the Loan Trustee or any Paying Agent in trust for any payment of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, including without limitation any money deposited pursuant to Article 10, and remaining unclaimed for more than two years and eleven months after the due date for such payment or any money paid to the Loan Trustee pursuant to Section 11.01 of the Pass Through Trust Agreement shall be paid to the Owner Trustee; and the Loan Participants entitled to payment thereon shall thereafter, as unsecured general creditors, look only to the Company on behalf of the Owner Trustee for payment thereof, and all liability of the Loan Trustee or any such Paying Agent with respect to such trust money shall thereupon cease; provided that the Loan Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each such Loan Participant notice that such money remains unclaimed and that, after a

date specified therein, which shall not be less than 30 days from the date of mailing, any unclaimed balance of such money then remaining will be repaid to the Owner Trustee as provided herein.

Section 7.02. Change in Registration. The Loan Trustee shall upon the request of the Company consent to the deregistration of the Aircraft under the laws of the jurisdiction in which it is at the time registered and the registration of the Aircraft under laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) such change in registration complies with the provisions of the Lease;

(b) no Lease Event of Default and no event which, with lapse of time or notice, or both, would become a Lease Event of Default shall have occurred and be continuing at the date of such request or at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (b) if the change in registration results in the registration of the Aircraft under the laws of the United States of America or if the Loan Trustee in its discretion believes the change in registration would be advantageous to the Loan Participants;

(c) the Loan Trustee shall have received an opinion of counsel reasonably satisfactory to it to the effect that:

(i) after giving effect to the change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a fully-perfected Lien and all filing, recording or other action necessary to perfect and protect the Lien of this Indenture has been accomplished (or if such opinion cannot be given at the time by which the Loan Trustee has been requested to consent to a change in registration, (x) the opinion shall detail what filing, recording or other action is necessary and (y) the Loan Trustee shall have received a certificate from the Company that all possible preparations to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be de-

livered to the Loan Trustee on or prior to the effective date of the change in registration); and

(ii) the terms of the Lease and this Agreement (including the governing law clauses) are legal, valid and binding and enforceable in such jurisdiction, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, and except as limited by applicable laws which may affect the remedies provided in the Lease and this Agreement, respectively, which laws, however, do not in the opinion of such counsel make the remedies provided in the Lease and this Agreement, respectively, inadequate for the practical realization of the rights and benefits provided thereby;

(d) the Loan Trustee shall have received assurances reasonably satisfactory to it that the insurance provisions of the Lease will have been complied with after giving effect to such change in registration; and

(e) the Company shall have paid or made provision satisfactory to the Loan Trustee for the payment of all expenses connected with such change in registration.

The Loan Trustee shall execute such documents as the Company or the Owner Trustee shall reasonably request in order to satisfy the above conditions and upon satisfaction of such conditions to effect the change in registration.

Section 7.03. Assumption of Obligations of Owner Trustee by the Company. In the event that the Company shall have elected to assume all of the rights and obligations of the Owner Trustee under this Agreement in respect of the Equipment Notes in connection with the purchase by the Company of the Aircraft on a Lease Termination Date pursuant to Section 9(e) or Section 20(b) of the Lease (any such date being referred to hereinafter as the "Relevant Date") and, if on or prior to the Relevant Date:

(a) the Company shall have delivered to the Loan Trustee a certificate, dated the Relevant Date, of a Responsible Company Officer stating that the Company has paid to the Owner Trustee all amounts required to be paid to the Owner Trustee pursuant to the Lease, in connection with such purchase and assumption;

(b) no Indenture Default after giving effect to the Relevant Amendment (as defined below) pursuant to clause (x) below shall have occurred and be continuing immediately subsequent to such purchase or assumption and the Loan Trustee shall have received a certificate, dated the Relevant Date, of a Responsible Company Officer to such effect;

(c) the Loan Trustee shall have received, on or prior to the Relevant Date, evidence of all filings, recordings and other action referred to in the Opinion or Opinions of Counsel referred to below; and

(d) the Loan Trustee shall have received an Opinion or Opinions of Counsel for the Company, dated the Relevant Date, which without unusual qualification shall be to the effect that, after giving effect to the Relevant Amendment (as defined below):

(i) this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, and except as limited by applicable laws which may affect the remedies provided for in this Agreement, which laws, however, do not in the opinion of such counsel make the remedies provided for in this Agreement inadequate for the practical realization of the rights and benefits provided for in this Agreement;

(ii) the Aircraft is duly registered in compliance with applicable law under the laws of the jurisdiction in which the Aircraft was registered immediately prior to such purchase and assumption;

(iii) the Lien on the Aircraft constitutes a fully-perfected Lien and all filing, recording or other action (specifying the same) necessary to perfect and protect the Lien of this Agreement has been accomplished; and

(iv) the Loan Trustee should, for the reasons set forth in such opinion, be entitled to the benefits of Section 1110 of the Bankruptcy Code

with respect to the Aircraft; provided that such opinion need not be delivered to the extent that the benefits of Section 1110 of the Bankruptcy Code are not available to the Loan Trustee with respect to the Aircraft immediately prior to such assumption; and provided further that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date;

then, automatically and without the requirement of further action by any Person, effective as of the Relevant Date:

(x) this Agreement shall be deemed to have been amended as provided for in Exhibit D hereto (the "Relevant Amendment"); and

(y) the Owner Trustee shall be released from all of its obligations under this Agreement in respect of the Equipment Notes or otherwise (other than any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Relevant Date or arising out of or based upon events occurring on or prior to the Relevant Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee).

## ARTICLE 8

### DEFAULTS AND REMEDIES

Section 8.01. Indenture Events of Default. "Indenture Event of Default" shall mean any of the following events (whatever the reason for such Indenture Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Indenture Event of Default shall be deemed to exist so long as, but only so long as, it shall not be remedied:

(a) any amount of interest upon any Equipment Note or of principal of any Equipment Note or of Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, in respect of any Equipment Note shall not be paid when due and payable (whether upon redemp-

tion or purchase, final maturity, acceleration or otherwise) and such default in payment shall continue for more than 15 days after such amount shall have become due and payable; or

(b) any failure by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to observe any of its covenants or its agreements contained in the fifth paragraph of the Habendum Clause or Sections 4.01(d) and 4.01(e) if, but only if, such failure is not remedied within a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, by the Loan Trustee or by the Loan Participants owning at least 25% in principal amount of Outstanding Equipment Notes; or

(c) any failure by the Owner Participant or the Owner Trustee, in its individual capacity, to observe or perform any of its respective covenants in Section 9(b), 9(c), 9(d) or 16(c) of the Participation Agreement; or

(d) any failure by the Owner Trustee, in its individual capacity or as Owner Trustee, to observe or perform any other covenant or obligation of the Owner Trustee contained in this Agreement, in the Participation Agreement or any failure by the Owner Participant to observe or perform any other covenant or obligation of the Owner Participant contained in the Participation Agreement which failure, in any case and either individually or together with other then existing failures, shall have a material adverse effect on the rights and interests of the Loan Participants and is not remedied within a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, by the Loan Trustee or by Loan Participants owning at least 25% in principal amount of outstanding Equipment Notes ( provided that if such failure is capable of being remedied, no such failure shall constitute an Indenture Event of Default hereunder for such longer period (not to exceed 180 days) during which the Owner Trustee or the Owner Participant, as the case may be, is diligently proceeding to remedy

such failure and provided further that the Owner Trustee or the Owner Participant, as the case may be, shall have provided to the Loan Trustee adequate assurances of performance within such period); or

(e) any representation or warranty made by the Owner Participant, the Owner Trustee, in its individual capacity or as Owner Trustee, or the Owner Participant Guarantor herein, in the Participation Agreement, in the Refunding Agreement, or in the Owner Participant Guaranty shall prove at any time to have been false or incorrect when made and was and is in any respect materially adverse to the rights and interests of the Loan Participants; and if such misrepresentation and its consequences are capable of being corrected as of a subsequent date and if such correction is being sought diligently, such misrepresentation and its consequences shall continue unremedied for a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such incorrectness and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder by the Loan Trustee or by Loan Participants owning at least 25% in principal amount of Outstanding Equipment Notes; or

(f) subject to Section 8.03(e)(i), any Lease Event of Default (other than any such Lease Event of Default in respect of any Excepted Property); provided that any Lease Event of Default shall be deemed to exist and continue so long as, but only so long as, it shall not be remedied; or

(g) either the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant or the Owner Participant Guarantor, as the case may be, shall (i) file, or consent by answer or otherwise to the filing against it of a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, (ii) make an assignment for the benefit of its creditors, or (iii) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or any substantial part of its property; or

(h) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant, or the Owner Participant Guarantor, as the case may be, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant, or the Owner Participant Guarantor, as the case may be, and any such order or petition is not dismissed or stayed within 90 days after the earlier of the entering of any such order or the approval of any such petition; or

(i) any Lessor's Lien required to be discharged by the Owner Participant or the Owner Trustee, in its individual capacity, pursuant to Section 16(b) of the Participation Agreement (in the case of the Owner Participant) or Section 9(c) of the Participation Agreement or Section 4.01(b) hereof (in the case of the Owner Trustee) shall remain undischarged for a period of 30 days after an officer in the Corporate Trust Department who has responsibility for, or familiarity with, the transactions contemplated by the Operative Documents or any Vice President in the Corporate Trust Department (with respect to a Lessor's Lien attributable to the Owner Trustee) or an officer of the Owner Participant who has responsibility for, or familiarity with, the transactions contemplated by the Operative Documents or any Vice President of the Owner Participant (with respect to a Lessor's Lien attributable to the Owner Participant) shall have actual knowledge of such Lien; or

(j) at any time when the Aircraft is registered under the laws of a country other than the United States of America, as a result of the gross negligence or wilful misconduct of the Owner Trustee or the Owner Participant, the Lien of this Agreement shall cease to constitute a valid and duly perfected Lien on the In-

denture Estate (other than pursuant to and in accordance with the terms of Section 10.01); or

(k) any Owner Participant Guaranty ceases to be a valid and enforceable obligation of the Owner Participant Guarantor or otherwise shall not be in full force and effect.

Section 8.02. Acceleration; Rescission and Annulment. If an Indenture Event of Default occurs and is continuing, the Loan Trustee, by notice to the Company, the Owner Participant and the Owner Trustee, or Loan Participants owning at least 25% in aggregate principal amount of Outstanding Equipment Notes by notice to the Company, the Loan Trustee, the Owner Trustee and the Owner Participant, may declare the principal of all the Equipment Notes to be due and payable. Upon such declaration, the principal of all Equipment Notes, together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal has been made or duly provided for shall be immediately due and payable, together with Swap Breakage Loss, if any, on the Bank Equipment Notes. At any time after such declaration and prior to the sale or disposition of the Indenture Estate, Loan Participants owning a majority in aggregate principal amount of all of the Outstanding Equipment Notes, by notice to the Loan Trustee, the Owner Trustee and the Owner Participant, may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of, Make-Whole Amount, if any, and Swap Breakage Loss, if any, and interest on, such Equipment Notes, to the extent each such amount is due or past due, if any, in respect of the Outstanding Equipment Notes other than by reason of such acceleration and all sums due and payable to the Loan Trustee has been deposited with the Loan Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults and Indenture Events of Default under this Agreement have been cured or waived except nonpayment of principal of, Swap Breakage Loss, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No Make-Whole Amount shall be payable on the Pass Through Equipment Notes as a result of the acceleration of the Equipment Notes.

Section 8.03. Other Remedies Available to Loan Trustee. (a) After an Indenture Event of Default shall have occurred and so long as such Indenture Event of Default shall be continuing, then and in every such case the Loan

Trustee, as trustee of an express trust and as assignee hereunder of the Lease or as holder of a security interest in the Aircraft, Airframe or Engines or otherwise, may, and when required pursuant to the provisions of Article 9 shall, exercise subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), upon ten (10) Business days' prior notice to the Owner Trustee and the Owner Participant (if not precluded by law or otherwise) any or all of the rights and powers and pursue any and all of the remedies accorded to the Owner Trustee pursuant to this Article 8 (and in the event that such Indenture Event of Default is also a Lease Event of Default, pursuant to Section 15 of the Lease), may recover judgment in its own name as Loan Trustee against the Indenture Estate and may take possession of all or any part of the Indenture Estate and may exclude the Owner Trustee and the Owner Participant and all persons claiming under any of them wholly or partly.

(b) After an Indenture Event of Default shall have occurred and so long as such Indenture Event of Default shall be continuing, subject to Sections 8.03(e), 8.03(f) and 8.03(h), the Loan Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Owner Trustee, the Owner Participant and the Company once at least 10 Business Days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Loan Trustee may determine, and at any place (whether or not it be the location of the Indenture Estate or any part thereof) and time designated in the notice above referred to; provided, however, that, notwithstanding any provision herein to the contrary, the Loan Trustee may not provide the notice provided for above of its intention to sell any of the Indenture Estate, exercise remedies under the Lease or exercise other remedies against the Indenture Estate, in each case seeking to deprive the Owner Participant of its interest therein unless a declaration of acceleration has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or by announcement at the time and place appointed for any such adjourned sale or sales, without further notice, and the

Loan Trustee and any Loan Participant may bid and become the purchaser at any such sale. The Loan Trustee may exercise such right without possession or production of the Equipment Notes or proof of ownership thereof, and as representative of the Loan Participants may exercise such right without notice to the Loan Participants or including the Loan Participants as parties to any suit or proceeding relating to foreclosure of any property in the Indenture Estate. The Owner Trustee hereby irrevocably constitutes the Loan Trustee the true and lawful attorney-in-fact of the Owner Trustee (in the name of the Owner Trustee or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the Lien created under this Agreement, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Loan Trustee may consider necessary or appropriate, with full power of substitution, the Owner Trustee hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Loan Trustee or any purchaser, the Owner Trustee shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) Subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Owner Trustee shall, at the request of the Loan Trustee, promptly execute and deliver to the Loan Trustee such instruments of title or other documents as the Loan Trustee may deem necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Indenture Estate. If the Owner Trustee shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee shall be entitled to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Loan Trustee the right to immediate possession and requiring the Owner Trustee or the Company or both to execute and deliver such instruments and documents to the Loan Trustee. The Loan Trustee shall also be entitled to pursue all or any part of the Indenture Estate wherever it may be found and may enter any of the premises of the Owner Trustee or any other Person wherever the Indenture Estate may be or be supposed to be

and search for the Indenture Estate and take possession of any item of the Indenture Estate pursuant to this Section 8.03(c). The Loan Trustee may, from time to time, at the expense of the Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Indenture Estate, as it may deem proper. In each such case, the Loan Trustee shall have the right to use, operate, store, lease, control or manage the Indenture Estate, and to exercise all rights and powers of the Owner Trustee relating to the Indenture Estate as the Loan Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, leasing, control or management of the Indenture Estate or any part thereof; and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents (including Rent), issues, profits, products, revenues and other income of the Indenture Estate and every part thereof, without prejudice, however, to the right of the Loan Trustee under any provision of this Agreement to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls, rents (including Rent), issues, profits, products, revenues and other income shall be applied to pay the expenses of using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Owner Trustee and, to the extent permitted by the Lease, the Company), and all other payments which the Loan Trustee may be required or authorized to make under any provision of this Agreement, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Loan Trustee, and of all persons properly engaged and employed by the Loan Trustee.

If an Indenture Event of Default occurs and is continuing and the Loan Trustee shall have obtained possession of or title to the Aircraft, the Loan Trustee shall not be obligated to use or operate the Aircraft or cause the Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of the Aircraft by any other Person unless (i) the

Loan Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all liability for loss or damage to the Aircraft and for public liability and property damage resulting from use or operation of the Aircraft and (ii) funds are available in the Indenture Estate to pay for all such insurance or, in lieu of such insurance, the Loan Trustee is furnished with indemnification from the Loan Participants or any other Person upon terms and in amounts satisfactory to the Loan Trustee in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), the Loan Trustee may proceed to protect and enforce this Agreement and the Equipment Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate or any part thereof, or for the recovery of judgment for the indebtedness secured by the Lien created under this Agreement or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(e) (i) If the Company shall fail to make any payment of Basic Rent under the Lease when the same shall become due, and if such failure of the Company to make such payment of Basic Rent shall not constitute the fourth or subsequent consecutive such failure or the seventh or subsequent cumulative such failure, then as long as no Indenture Event of Default (other than arising from a Lease Event of Default) shall have occurred and be continuing, the Owner Participant or the Owner Trustee may (but need not) pay to the Loan Trustee, at any time prior to the day which is the thirtieth day subsequent to notice of such failure by the Loan Trustee to the Owner Trustee or the Owner Participant (and the Loan Trustee shall not (without the prior written consent of the Owner Trustee) declare the Lease in default pursuant to Section 15 thereof or exercise any of the rights, powers or remedies pursuant to such Section 15 or this Article 8 prior to the occurrence of such date), an amount equal to the full amount of such payment of Basic Rent, together with any interest due thereon on account of the delayed payment thereof to the date of such payment (without regard to any acceleration), and such payment by

the Owner Participant or the Owner Trustee shall be deemed to cure as of the date of such payment any Indenture Event of Default which arose from such failure of the Company (including any Lease Event of Default arising from the Company's failure to pay interest in respect of such overdue Basic Rent for the period commencing on the date of such payment), but such cure shall not relieve the Company of any of its obligations. If the Company shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under the Lease other than the payment of Basic Rent, and if (but only if) the performance or observance thereof can be effected by the payment of money alone (it being understood that actions such as the obtaining of insurance and the procurement of maintenance services can be so effected), then as long as no other Indenture Event of Default (other than those arising from a Lease Event of Default) shall have occurred and be continuing, the Owner Participant or the Owner Trustee may (but need not) pay to the Loan Trustee (or to such other person as may be entitled to receive the same), at any time prior to the day which is the thirtieth day subsequent to notice of such failure by the Loan Trustee to the Owner Trustee or the Owner Participant (or such longer period ending on the second day after the expiry of the applicable grace period specified in the Lease with respect to such default) (and the Loan Trustee shall not (without the prior written consent of the Owner Trustee) declare the Lease in default pursuant to Section 15 thereof or exercise any of the rights, powers or remedies pursuant to such Section 15 or this Article 8 prior to the occurrence of such date), all sums necessary to effect the performance or observance of such covenant or agreement of the Company, together with any interest due thereon on account of the delayed payment thereof to the date of such payment, and such payment by the Owner Participant or the Owner Trustee shall be deemed to cure as of the date of such payment any Indenture Event of Default which arose from such failure of the Company (including any Lease Event of Default arising from the Company's failure to pay interest in respect of such overdue payment for the period commencing on the date of such payment), but such cure shall not relieve the Company of any of its obligations. Upon any payment of Basic Rent by the Owner Participant or the Owner Trustee in accordance with the first sentence of this Section 8.03(e)(i), or upon any payment of any other sums by the Owner Participant or the Owner Trustee in accordance with the second sentence of this Section 8.03(e)(i), then any declaration pursuant to Section 15 of the Lease that the Lease is in default, and any declaration pursuant to this Indenture that the Equipment Notes are due and payable or

that an Indenture Event of Default exists, based upon such Lease Event of Default, shall be deemed rescinded, and the Owner Participant or the Owner Trustee shall, to the extent of their respective payments, be subrogated, in the case of any such payment in accordance with such first sentence, to the rights of the Loan Trustee, as assignee hereunder of the Owner Trustee, or, in the case of any such payment in accordance with such second sentence, to the rights of the Loan Trustee or such other person, as the case may be, which actually received such payment, to receive such payment of Basic Rent or such other payment, as the case may be (and any interest due thereon on account of the delayed payment thereof), and shall be entitled to receive such payment upon its receipt by the Loan Trustee or such other person, as aforesaid (but in each case only if all amounts of principal of, and interest at the time due and payable on, the Equipment Notes together with interest due thereon on account of the delayed payment thereof shall have been paid in full); provided that neither the Owner Participant nor the Owner Trustee shall attempt to recover any such amount paid by it on behalf of the Company pursuant to this Section 8.03(e)(i) except by demanding of the Company payment of such amount or by commencing an action against the Company to require the payment of such amount.

(ii) At any time (a) one or more Lease Events of Default shall have occurred and shall have continued for a period of 180 days or more or (b) the Equipment Notes shall have been accelerated pursuant to Section 8.02, the Owner Trustee or the Owner Participant may, at its option, give at least 30 days' prior irrevocable notice to the Loan Trustee that it will redeem (or purchase in lieu of redemption) all Equipment Notes then outstanding, which redemption or purchase shall be pursuant to Section 6.02 and concurrently with such notice, the Owner Trustee or the Owner Participant will deposit with the Loan Trustee an amount sufficient to redeem or purchase at the applicable Redemption Price determined consistently with the applicable provisions of Section 6.02 (including, without limitation, Swap Breakage Losses, if any, payable in respect of the Bank Equipment Notes in connection with any Indenture Event of Default that is not a Lease Event of Default, but excluding Swap Breakage Losses, if any, payable in respect of the Bank Equipment Notes in connection with an Indenture Event of Default that is also a Lease Event of Default) all Equipment Notes then Outstanding and to pay the Loan Trustee all amounts then due it hereunder, which funds shall be held by the Loan Trustee as provided in Section 9.03. Upon the giving of such notice and the receipt by the Loan Trustee of such deposit, the

Loan Trustee shall deem all instructions received from the Owner Trustee or the Owner Participant as having been given by the Loan Participants of 100% of the Outstanding principal amount of Equipment Notes for all purposes of this Indenture. If such notice is given, the Owner Trustee further agrees that it will, if necessary, deposit or cause to be deposited with the Loan Trustee, on or prior to the Business Day preceding the applicable Redemption Date, whether or not an Indenture Event of Default is then continuing, additional funds sufficient, when added to the funds already held by the Loan Trustee for such purpose, to redeem or purchase at the applicable Redemption Price on such Redemption Date all Equipment Notes then outstanding and to pay the Loan Trustee all amounts then due it hereunder. No Make-Whole Amount on the Pass Through Equipment Notes shall be payable by the Owner Trustee in connection with the redemption or the purchase of the Pass Through Equipment Notes pursuant to this Section. Upon the payment of all amounts by the Owner Trustee or the Owner Participant pursuant to this Section, the Loan Trustee shall transfer the Equipment Notes to the Owner Trustee.

(iii) It is further agreed and understood that if the Loan Trustee shall proceed to foreclose the Lien of this Agreement, it shall substantially simultaneously therewith, to the extent the Loan Trustee is then entitled to do so hereunder and under the Lease, and is not then stayed or otherwise prevented from doing so by operation of law, proceed (to the extent it has not already done so) to exercise one or more comparable or consistent remedies referred to in Section 15 of the Lease (but in any case, the exercise of such remedies shall be commercially reasonable); provided, that, if the Loan Trustee is stayed or otherwise prevented from exercising one or more of the remedies referred to in Section 15 of the Lease, the Loan Trustee shall not, if and so long as such stay or other prohibition shall remain in effect, foreclose the Lien of this Agreement (A) for a period of 60 days after the date of the order for relief in a chapter 11 case of the Company under the Bankruptcy Code unless the Company elects to return the Aircraft or to permit the repossession of the Aircraft before the expiration of such 60-day period and the Loan Trustee actually repossesses the Aircraft; (B) for so long as the Company has agreed with the approval of the relevant court to perform the Lease in compliance with the requirements of Section 1110(a) of the Bankruptcy Code and so long after such agreement as no Event of Default shall have occurred and be continuing that relates to the performance of the Lease (other than an Event of Default set forth in Section 14(g),

(h) or (i) of the Lease), provided that no such Event of Default shall be deemed to occur earlier than the expiration of the 30-day period referred to in Section 1110(a)(2)(B)(i) of the Bankruptcy Code, as such period may be extended with the approval, if required, of the Loan Trustee; (C) for so long as the 60-day period specified in Section 1110(b) of the Bankruptcy Code is extended pursuant to Section 1110(b) of the Bankruptcy Code with the consent of the Loan Trustee; (D) for such longer period of time after the expiration of the 60-day period referred to in, and as extended pursuant to, the preceding clause (C) (the "Period") that the issue of the applicability of Section 1110 to the Aircraft and Lease being disputed by the Company or the Owner Trustee or is subject to judicial determination or pending appeal, provided that such longer period of time shall not extend beyond 6 months after the Period unless there shall not be continuing any default by the Company in the payment of Basic Rent, other than a default as to which the 30-day period referred in, and as extended pursuant to, the preceding clause (B) has not expired (it being understood that if the Owner Trustee or the Owner Participant cures any such default, such cure shall not be considered an exercise of Lessor's cure rights for purposes of determining the number of cures permitted under Section 8.03(e)(i) hereof); or (E) from and after the Company's assumption with the approval of the relevant court of the Lease pursuant to Section 365 of the Bankruptcy Code and so long after such assumption as no Event of Default shall have occurred and be continuing that relates to the performance of the Lease (other than an Event of Default set forth in Section 14(g), (h) or (i) of the Lease), and other than a default as to which the 30-day period referred to in, and as extended pursuant to, the preceding clause (B) has not expired; provided, however, that if such assumption is in connection with an assignment of the Company's interest in the Lease pursuant to Section 365(f) of the Bankruptcy Code, this clause (E) shall have no effect unless the Loan Trustee has agreed that it has received adequate assurance of future performance as set forth in Section 365(f)(2)(B) of the Bankruptcy Code or (F) for so long as the Lessee retains possession of the Aircraft, the Airframe or any Engine even though such retention of possession is not attributable to the Lessee being in compliance with the provisions of Section 1110 of the Bankruptcy Code and the Loan Trustee agrees to (without the consent of the Owner Trustee and despite the ability of the Owner Trustee, or the Loan Trustee as the assignee of the Owner Trustee's rights, under applicable law, to repossess the Aircraft, Airframe or Engine) such retention of possession of the Aircraft,

Airframe or Engine. For the avoidance of doubt, it is expressly understood and agreed that, subject to the immediately preceding sentence, the above-described inability of the Loan Trustee to exercise any right or remedy under the Lease shall in no event and under no circumstances prevent the Loan Trustee from exercising all of its rights, powers and remedies under this Agreement, including, without limitation, this Article 8. References in this subsection (iii) to particular sections of the Bankruptcy Code as in effect on the date of the amendment and restatement of this Indenture shall include any substantially similar successor provisions.

(f) The Owner Trustee and the Loan Trustee acknowledge and agree that, notwithstanding any provision of this Agreement to the contrary, including, without limitation, the Granting Clause, Section 4.01 and Article 8, as long as no Lease Event of Default shall have occurred and be continuing, neither the Loan Trustee nor the Owner Trustee shall take any action contrary to, or disturb the Company's rights under, the Lease, including, without limitation, (x) the right to receive all monies due and payable to it in accordance with the provisions of the Lease and (y) the Company's rights to possession and use of, and to quiet enjoyment of, the Aircraft.

(g) Each and every right, power and remedy herein given to the Loan Trustee specifically or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Owner Trustee or the Company or to be an acquiescence therein.

(h) Notwithstanding anything contained herein, so long as the Pass Through Trustee is the registered holder of any Equipment Note hereunder, the Loan Trustee is not authorized or empowered to acquire title to all or any portion of the Indenture Estate (including the property subject to the Lien of this Indenture) or take any action with respect to all or any portion of

the Indenture Estate (including the property subject to the Lien of this Indenture) so acquired by it if such acquisition or action would cause any Pass Through Trust to fail to qualify as a "grantor trust" for federal income tax purposes.

Section 8.04. Waiver of Owner Trustee. A delay or omission by the Loan Trustee or any Loan Participant in exercising any right or remedy accruing upon an Indenture Event of Default under this Agreement shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

Section 8.05. Waiver of Existing Defaults. The Loan Participants owning a majority in aggregate principal amount of the Outstanding Equipment Notes by notice to the Loan Trustee may waive on behalf of the Loan Participants an existing Indenture Default or Indenture Event of Default and its consequences except (i) an Indenture Default or Indenture Event of Default in the payment of the principal of, or interest on, any Equipment Note or (ii) in respect of a covenant or provision hereof that pursuant to Section 11.02 cannot be amended or modified without the consent of each Loan Participant affected thereby.

Section 8.06. Control by Majority. Loan Participants owning a majority in aggregate unpaid principal amount of the Outstanding Equipment Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Loan Trustee or exercising any trust or power conferred on it by this Agreement. However, the Loan Trustee may refuse to follow any direction that conflicts with law, the Lease or this Agreement, that is unduly prejudicial to the rights of the Loan Participants so affected, or that would subject the Loan Trustee to personal liability.

Section 8.07. Limitation on Suits by Loan Participants. A Loan Participant may pursue a remedy under this Agreement or under an Equipment Note only if:

(1) the Loan Participant gives to the Loan Trustee written notice of a continuing Indenture Event of Default under this Agreement;

(2) Loan Participants owning at least 25% in aggregate principal amount of the outstanding Equipment Notes make a written request to the Loan Trustee to pursue the remedy;

(3) such Loan Participant or Loan Participants offer to the Loan Trustee indemnity satisfactory to the Loan Trustee against any loss, liability or expense to be, or which may be, incurred by the Loan Trustee in pursuing the remedy;

(4) the Loan Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, Loan Participants owning a majority in aggregate principal amount of the Outstanding Equipment Notes do not give the Loan Trustee a direction inconsistent with the request.

A Loan Participant may not use this Agreement to prejudice the rights of another Loan Participant or to obtain a preference or priority over another Loan Participant.

Section 8.08. Rights of Loan Participants to Receive Payment.

Notwithstanding any other provision of this Agreement, the right of any Loan Participant to receive payment of principal of, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on an Equipment Note on or after the respective due dates expressed in such Equipment Note, to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Loan Participant.

ARTICLE 9.

LOAN TRUSTEE

Section 9.01. Rights and Duties of Loan Trustee. (a) The Loan Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Loan Trustee need not investigate any fact or matter stated in the document.

(b) Before the Loan Trustee acts or refrains from acting, it may consult with counsel or require an Officers' Certificate or an Opinion of Counsel from the Company or the Owner Trustee after which it will take such action or refrain from acting as it deems appropriate. The Loan Trustee shall not be liable for any action it takes or omits to take in good faith and in accordance herewith in reliance on a resolution of the Board of Directors of the Company, the written advice of counsel acceptable to the Owner Trustee, the Company and the Loan Trustee, officer's certificates or opinions of counsel provided by the Company or the Owner Trustee.

(c) The Loan Trustee may act through agents and shall not be responsible for the misconduct or negligence of any such agent appointed with due care; provided that, so long as no Lease Event of Default shall have occurred and be continuing, no such agents shall be appointed by the Loan Trustee without the consent of the Company and the Owner Trustee, which consent shall, in each case, not be unreasonably withheld.

(d) The Loan Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Loan Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) Subject to the provisions of Section 9.03, the Loan Trustee shall not be liable for interest on any money received by it except as the Loan Trustee may otherwise agree in writing with the Company. Money held in trust by the Loan Trustee need not be segregated from other funds except to the extent required by law.

(g) If an Indenture Event of Default under this Agreement has occurred and is continuing, the Loan Trustee shall exercise its rights and powers under this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(h) Except during the continuance of an Indenture Event of Default:

(1) The Loan Trustee need perform only those duties that are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Loan Trustee.

(2) In the absence of bad faith on its part, the Loan Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Loan Trustee and conforming to the requirements of this Agreement. However, the Loan Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this Agreement.

(i) The Loan Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (h) of this Section.

(2) The Loan Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or officers, unless it shall be proved that the Loan Trustee was negligent in ascertaining the pertinent facts.

(3) The Loan Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with the direction received by it pursuant to Section 8.06.

(j) Every provision of this Agreement that in any way relates to the Loan Trustee is subject to paragraphs (g), (h) and (i) of this Section.

Section 9.02. Individual Rights of Loan Trustee. The Loan Trustee in its individual or any other capacity may become the owner or pledgee of Equipment Notes and may otherwise deal with the Owner Trustee, the Company or an Affiliate of the Owner Trustee or the Company or a subsidiary of the Owner Trustee or the Company with the same rights it would have if it were not the Loan Trustee. Any Agent may do the same with like rights.

Section 9.03. Funds May Be Held by Loan Trustee or Paying Agent; Investments. (a) Subject to paragraph (b) below, any monies (including for the purpose of this subsection 9.03 any cash deposited with the Loan Trustee or Permitted Investments purchased by the use of such cash pursuant to this subsection 9.03 or any cash constituting the proceeds of the maturity, sale or other disposition of any Permitted Investment) held by the Loan Trustee or the Paying Agent hereunder as part of the Indenture Estate, until paid out by the Loan Trustee or the Paying Agent as herein provided, at any time and from time to time, at the request of the Owner Trustee, shall be invested and reinvested in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Trustee in trust as part of the Indenture Estate until so sold. Unless otherwise expressly provided in this Agreement, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any such Permitted Investment, net of the Loan Trustee's reasonable fees and expenses in making such Permitted Investment, shall be held and applied by the Loan Trustee in the same manner as the principal amount of such Permitted Investment is to be applied and any loss realized upon maturity, sale or other disposition of any such Permitted Investment shall be charged against the principal amount invested.

(b) Notwithstanding anything to the contrary contained in paragraph (a) above, any amounts held by the Loan Trustee or the Paying Agent hereunder as a part of the Indenture Estate, until paid out by the Loan Trustee or the paying Agent as herein provided, which are either (i) amounts held pursuant to Section 25 of the Lease or (ii) amounts held under Section 6.01(b)(1) in connection with termination of the Lease pursuant to Section 9(a) of the Lease, at any time and from time to time, so long as no Lease Event of Default shall have occurred and be continuing, at the request (given directly by the Company to the Loan Trustee) of the Company acting as the agent of the Owner Trustee, shall be invested and reinvested in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest, or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Loan Trustee in trust as a part of the Indenture Estate until so sold; provided that the Company, on behalf of the Owner Trustee, as

agent of the Owner Trustee, shall upon demand pay to the Loan Trustee the amount of any loss realized upon maturity, sale or other disposition of any such Permitted Investment and, so long as no Lease Event of Default shall have occurred and be continuing, be entitled to receive from the Loan Trustee, and the Loan Trustee shall promptly pay to the Company, on behalf of the Owner Trustee, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any such Permitted Investment. If any Lease Event of Default shall have occurred and be continuing, any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment made pursuant to this paragraph (b) shall be held as part of the Indenture Estate and shall be applied by the Loan Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof or of the Lease pursuant to which such amounts were required to be held.

(c) The Loan Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Section.

Section 9.04. Notice of Defaults. If an Indenture Event of Default under this Agreement occurs and is continuing and if it is actually known to a Responsible officer of the Loan Trustee, the Loan Trustee shall (i) promptly send written notice thereof to the Company, each Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant and (ii) within 90 days after it occurs, mail to each Loan Participant notice of all uncured Indenture Events of Default under this Agreement. Except in the case of a default in the payment of the principal of, Swap Breakage Losses, if any, or interest on any Equipment Note, the Loan Trustee shall be protected in withholding the notice required under clause (ii) above if and so long as the executive committee or trust committee of directors of the Loan Trustee and/or Responsible Officers thereof in good faith determines that withholding such notice is in the interest of the Loan Participants. In addition, if an Indenture Default occurs and is continuing and if it is actually known to a Responsible Officer of the Loan Trustee, the Loan Trustee shall promptly send written notice thereof to the Company, each Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant; provided that, with respect to any payment Indenture

Default, the Loan Trustee shall send such notice no later than five days after a Responsible Officer of the Loan Trustee obtains actual knowledge thereof.

Section 9.05. Compensation and Indemnity. (a) The Owner Trustee shall pay to the Loan Trustee, from time to time, on demand, (i) reasonable compensation for its services, which compensation shall not be limited by any law on compensation of a trustee of an express trust, (ii) reimbursement for all reasonable out-of-pocket expenses incurred by the Loan Trustee in connection with the performance of its duties under this Agreement (including the reasonable compensation and expenses of the Loan Trustee's counsel and any agent appointed in accordance with Section 9.01(c)) and (iii) indemnification against any loss or liability incurred by it arising out of or in connection with its acceptance or administration of the trust or trusts hereunder except (A) as such expenses or loss or liability might result from the negligence or willful misconduct of the Loan Trustee or the inaccuracy of any representation or warranty of the Loan Trustee in its individual capacity in Section 9 of the Refunding Agreement, (B) as otherwise provided in Section 9.09 and (C) as otherwise excluded by the terms of Sections 7(b) and 7(c) of the Participation Agreement from the Company's indemnities under said Sections; provided that, so long as the Lease is in effect, the Loan Trustee shall not make any claim under this Section 9.05 for any claim or expense indemnified against by the Company under the Participation Agreement without first making demand on the Company for payment of such claim or expense. The Loan Trustee shall notify the Owner Trustee and the Company promptly of any claim for which it may seek indemnity. The Owner Trustee shall have the right to defend the claim and the Loan Trustee shall cooperate in the defense. The Loan Trustee may have separate counsel and the Owner Trustee, subject to limitations set forth in the third preceding sentence, shall pay the reasonable fees and expenses of such counsel. The Owner Trustee need not pay for any settlement made without its and the Company's consent. If the Owner Trustee is required to make any payment under this Section 9.05(a), it shall be subrogated to the rights of the Loan Trustee with respect thereto.

(b) To secure the payment obligations of the Owner Trustee pursuant to this Section 9.05, the Loan Trustee shall have a Lien prior to that of the Loan Participants on all money or property held or collected by the Loan Trustee, except that held in trust to pay the principal

of, Make-Whole Amount, if any, Swap Breakage Loss, if any, or interest on particular Equipment Notes.

Section 9.06. Replacement of Loan Trustee. (a) The resignation or removal of the Loan Trustee and the appointment of a successor Loan Trustee shall become effective only upon the successor Loan Trustee's acceptance of appointment as provided in this Section.

(b) The Loan Trustee may resign by giving at least 30 days' prior written notice to the Company and the Owner Trustee. Loan Participants holding a majority in aggregate principal amount of the Outstanding Equipment Notes may remove the Loan Trustee by giving at least 30 days' prior written notice to the Loan Trustee, the Owner Trustee, the Owner Participant and the Company and may appoint a successor Loan Trustee for such Equipment Notes so long as no Indenture Event of Default shall have occurred and be continuing with the Owner Trustee's and the Company's consent. The Owner Trustee (acting pursuant to instructions from the Company) may remove the Loan Trustee if:

(1) the Loan Trustee fails to comply with Section 9.08 hereof (or, as long as State Street Bank and Trust Company of Connecticut, National Association shall be the Loan Trustee, the requirement set forth in Section 9.08 hereof specifically applicable to such institution);

(2) the Loan Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or public officer takes charge of its property; or

(4) the Loan Trustee becomes incapable of acting.

(c) If the Loan Trustee resigns or is removed, or if a vacancy exists in the office of Loan Trustee for any reason and a new Loan Trustee has not been appointed pursuant to Section 9.06(b), the Owner Trustee shall promptly appoint a successor Loan Trustee.

(d) If a successor Loan Trustee does not take office within 30 days after the retiring Loan Trustee resigns or is removed, the retiring Loan Trustee, the Company, the Owner Trustee or Loan Participants holding a majority in aggregate principal amount of the Outstanding

Equipment Notes may petition any court of competent jurisdiction for the appointment of a successor Loan Trustee.

(e) If the Loan Trustee fails to comply with Section 9.08, any Loan Participant may petition any court of competent jurisdiction for the removal of such Loan Trustee and the appointment of a successor Loan Trustee.

(f) A successor Loan Trustee shall deliver a written acceptance of its appointment to the retiring Loan Trustee, to the Company and to the Owner Trustee. Thereupon, the resignation or removal of the retiring Loan Trustee shall become effective, and the successor Loan Trustee shall have all the rights, powers and duties of the retiring Loan Trustee for which the successor Loan Trustee is to be acting as Loan Trustee under this Agreement. The retiring Loan Trustee shall promptly transfer all property and all books and records relating to the administration of the Indenture Estate held by it as Loan Trustee to the successor Loan Trustee subject to the Lien provided for in Section 9.05. The Owner Trustee shall give notice of each appointment of a successor Loan Trustee if there are Equipment Notes outstanding, by mailing written notice of such event by first-class mail to the Loan Participants.

(g) All provisions of this Section 9.06 except subparagraphs (b)(1) and (e) and the words "subject to the Lien provided for in Section 9.05" in subparagraph (f) shall apply also to any Paying Agent.

Section 9.07. Successor Loan Trustee, Agents by Merger, Etc. If the Loan Trustee or any Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business assets to, another corporation, the successor corporation, without any further act, shall be the successor Loan Trustee or Agent, as the case may be.

Section 9.08. Eligibility; Disqualification. This Agreement shall at all times have a Loan Trustee which shall be a bank or trust company and have a combined capital and surplus of at least \$100,000,000 (or having a combined capital and surplus in excess of \$5,000,000 (or, as long as State Street Bank and Trust Company of Connecticut, National Association shall be the Loan Trustee, \$3,000,000) and the obligations of which, whether now in existence or hereafter incurred, are fully and unconditionally guaranteed by a corporation organized and doing business under the laws of the United States, any State or Territory thereof or of the

District of Columbia and having a combined capital and surplus of at least \$100,000,000) and which shall be a "citizen of the United States" as defined in 49 U.S.C. Section 40102. If such corporation publishes reports of conditions at least annually, pursuant to law or to the requirements of Federal, State, Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 9.08, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

In case at any time the Loan Trustee shall cease to be eligible in accordance with the provisions of this Section 9.08, the Loan Trustee shall resign immediately in the manner and with the effect specified in Section 9.06.

Section 9.09. Trustee's Liens. The Loan Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full all Liens ("Trustee's Liens") on the Indenture Estate which are either (i) attributable to the Loan Trustee in its individual capacity and which are unrelated to the transactions contemplated by the Operative Documents, or (ii) attributable to the Loan Trustee as trustee hereunder or in its individual capacity and which arise out of acts or omissions by it which are contrary to the terms of this Agreement.

Section 9.10. Withholding Taxes; Information Reporting. The Loan Trustee shall exclude and withhold from each distribution of principal, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest and other amounts due hereunder or under the Equipment Notes any and all withholding taxes applicable thereto as required by law. The Loan Trustee agrees (i) to act as such withholding agent and, in connection therewith, whenever any present or future taxes or similar charges are required to be withheld with respect to any amounts payable in respect of the Equipment Notes, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the Loan Participants, (ii) that it will file any necessary withholding tax returns or statements when due and (iii) that, as promptly as possible after the payment of such amounts, it will deliver to each Loan Participant appropriate documentation showing the payment of such amounts, together with such additional documentary evidence as such Loan Participants may reasonably request from time to time. The Loan Trustee agrees to file any

other information reports as it may be required to file under United States law.

ARTICLE 10.

SATISFACTION AND DISCHARGE; DEFEASANCE;  
TERMINATION OF OBLIGATIONS

Section 10.01. Satisfaction and Discharge of Agreement; Defeasance; Termination of Obligations. Subject to Section 10.02, this Agreement shall cease to be of further effect, and the Owner Trustee and the Loan Trustee shall, except as herein provided, be deemed to have been discharged from their respective obligations with respect to the Equipment Notes (and the Loan Trustee, on demand and at the expense of the Owner Trustee, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture in respect of the Equipment Notes), when

(a) (i) all Equipment Notes theretofore Notes executed and delivered (other than (A) Equipment Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.06 and (B) Equipment Notes for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been delivered to the Loan Trustee for cancellation;

(ii) all Equipment Notes not theretofore delivered to the Loan Trustee for cancellation have become due and payable (whether upon stated maturity, as a result of redemption or upon acceleration), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of the deposit referred to below) at maturity within one year, and there has been deposited with the Loan Trustee in trust for the purpose of paying and discharging the entire indebtedness on the Equipment Notes not theretofore canceled by the Loan Trustee or delivered to the Loan Trustee for cancellation, an amount in cash sufficient without reinvestment thereof to discharge such indebtedness, including the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes to the date of such deposit (in the case of

Equipment Notes which have become due and payable), or to the maturity thereof, as the case may be; or

(iii) (A) the Owner Trustee has deposited or caused to be deposited irrevocably (except as provided in Section 10.04) with the Loan Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Loan Participants, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this clause) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Loan Trustee, to pay and discharge each installment of principal of, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments of principal or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of such deposit), and no Lease Event of Default under any of Sections 14(f) through 14(i) of the Lease shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date; provided, however, that, upon the making of the deposit referred to above in clause (A), the right of the Owner Trustee or the Company to cause the redemption of Equipment Notes (except a redemption in respect of which irrevocable notice has theretofore been given) shall terminate;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default under, this Agreement or a default or event of default under any other agreement or instrument to which the Owner Trustee or the Company is a party or by which it is bound; and

(C) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Loan Participants will not recognize income, gain or loss

for Federal income tax purposes as a result of the exercise by the Owner Trustee of its option under this Section 10.01(a)(iii) and will be subject to Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable hereunder have been paid;  
and

(c) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Agreement contemplated by this Section 10.01 have been complied with.

Section 10.02. Survival of Certain Obligations. Notwithstanding the provisions of Section 10.01, the obligations of the Owner Trustee and the Loan Trustee contained in Sections 2.01 through 2.08, Section 7.01, Section 9.10, Section 10.03 and Section 10.04 and the rights, duties, immunities and privileges hereunder of the Loan Trustee shall survive.

Section 10.03. Monies to Be Held in Trust. All monies and U.S. Government Obligations deposited with the Loan Trustee pursuant to Section 10.01 shall be held in trust and applied by it, in accordance with the provisions of the Equipment Notes and this Indenture, to the payment either directly or through any Paying Agent as the Loan Trustee may determine, to the Loan Participants, of all sums due and to become due thereon for principal, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest, but such money need not be segregated from other funds except to the extent required by law.

Section 10.04. Monies to Be Returned to Owner Trustee. The Loan Trustee and any Paying Agent shall promptly pay or return to the Owner Trustee upon request of the Owner Trustee any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 for which money or U.S. Government Obligations have been deposited pursuant to Section 10.01.

## ARTICLE 11.

## AMENDMENTS AND WAIVERS

Section 11.01. Amendments to This Agreement Without Consent of Loan Participants. The Owner Trustee and the Loan Trustee may enter into one or more agreements supplemental hereto without the consent of any Loan Participant for any of the following purposes:

(1) (a) to cure any defect or inconsistency herein or in the Equipment Notes, or to make any change not inconsistent with the provisions hereof (provided that such change does not adversely affect the interests of any Loan Participant) or (b) to cure any ambiguity or correct any mistake;

(2) to evidence the succession of another party as the Owner Trustee in accordance with the terms of the Trust Agreement or to evidence (in accordance with Article 9) the succession of a new trustee hereunder, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees;

(3) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the Loan Participants;

(4) to correct or amplify the description of any property at any time subject to the Lien of this Agreement or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Agreement or to subject to the Lien of this Agreement the Airframe or Engines or airframe or engines substituted for the Airframe or Engines in accordance herewith or with the Lease; provided that Trust Agreement and Indenture Supplements entered into for the purpose of subjecting to the Lien of this Agreement the Airframe or Engines in accordance with the Lease need only be executed by the Owner Trustee;

(5) to add to the covenants of the Owner Trustee for the benefit of the Loan Participants, or to surrender any rights or power herein conferred upon the Owner Trustee, the Owner Participant or the Company;

(6) to add to the rights of the Loan Participants;

(7) to provide for the assumption by the Company of the obligations of the Owner Trustee hereunder in accordance with the terms and conditions applicable thereto specified in Section 7.03 hereof, including, without limitation, such amendments to Exhibit D hereof as may be necessary or desirable in order to effectuate such assumption and accomplish the purposes thereof; or

(8) to include on the Equipment Notes any legend as may be required by law.

Section 11.02. Amendments to This Agreement with Consent of Loan Participants. (a) With the written consent of Loan Participants owning a majority of the aggregate principal amount of the Outstanding Equipment Notes, the Owner Trustee and the Loan Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Agreement or of any such supplemental agreements or to modify the rights of the Loan Participants; provided, however, that, without the consent of each Loan Participant affected thereby, an amendment under this Section 11.02 may not:

(1) reduce the principal amount of, any Installment Payment Amount payable with respect to, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note; or

(2) change the date on which any principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, is due or payable; or

(3) create any Lien on the Indenture Estate prior to or pari passu with the Lien thereon under this Agreement except such as are permitted by this Agreement, or deprive any Loan Participant of all or any part of the benefit of the Lien on the Indenture Estate created by this Agreement; or

(4) reduce the percentage in principal amount of the Outstanding Equipment Notes, the consent of whose holders is required for any such supplemental agreement, or the consent of whose holders is required for any waiver (of compliance with certain provisions of this Agreement or of certain defaults hereunder or their consequences) provided for in this Agreement; or

(5) make any change in Section 8.05, 8.08 or this Section 11.02(a); or

(6) change the definition of "Indenture Estate" or the amounts secured thereby.

(b) It is not necessary under this Section 11.02 for the Loan Participants to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Owner Trustee, the Company and the Loan Trustee of any supplemental agreement pursuant to the provisions of this Section 11.02, the Owner Trustee shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Loan Participants, as the names and addresses of such Loan Participants appear on the Register. Any failure of the Owner Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 11.03. Revocation and Effect of Consents. The Owner Trustee may at its option by delivery of an Officers' Certificate to the Loan Trustee set a record date to determine the Loan Participants entitled to give any consent, request, demand, authorization, direction, notice, waiver or other act. Such record date shall be the record date specified in such Officers' Certificate which shall be a date not more than 30 days prior to the first solicitation of Loan Participants in connection therewith. If such a record date is fixed, such consent, request, demand, authorization, direction, notice, waiver or other act may be given before or after such record date, but only the Loan Participants of record at the close of business on such record date shall be deemed to be Loan Participants for the purposes of determining whether Loan Participants holding the requisite proportion of Outstanding Equipment Notes have authorized or agreed or consented to such consent, request, demand, authorization, direction, notice, waiver or other

act, and for that purpose the Outstanding Equipment Notes shall be computed as of such record date; provided that no such consent, request, demand, authorization, direction, notice, waiver or other act by the Loan Participants on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Agreement not later than one year after the record date.

Section 11.04. Notation on or Exchange of Equipment Notes. The Loan Trustee may place an appropriate notation about an amendment or waiver on any Equipment Note thereafter executed. The Loan Trustee in exchange for such Equipment Notes may execute new Equipment Notes that reflect the amendment or waiver.

Section 11.05. Loan Trustee Protected. The Loan Trustee need not sign any supplemental agreement that adversely affects its rights, duties, immunities or indemnities.

Section 11.06. Amendments, Waivers, Etc. of Other Operative Documents.

(a) Without the consent of the Loan Participants holding a majority in principal amount of Outstanding Equipment Notes, the respective parties to the Participation Agreement, the Lease, the Trust Agreement and the Purchase Agreement Assignment may not modify, amend or supplement any of said agreements, or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or modifying in any manner the rights of the respective parties thereunder; provided, however, that the actions specified in subsection (b) of this Section 11.06 may be taken without the consent of the Loan Trustee or any Loan Participant.

(b) Subject to the provisions of subsection (c) of this Section 11.06, the respective parties to the Participation Agreement, the Lease and the Trust Agreement, at any time and from time to time without the consent of the Loan Trustee or of any Loan Participant, may:

(1) so long as no Indenture Event of Default shall have occurred and be continuing, modify, amend or supplement the Lease, or give any consent, waiver, authorization or approval with respect thereto, except that without compliance with subsection (a) of this Section 11.06 the parties to the Lease shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any

provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Lease as in effect on the Refunding Date: Section 2, Section 3(a) (if the result thereof would be to shorten the Term of the Lease to a period shorter than the period ending with the latest Maturity Date of any Equipment Notes), Section 3(b), Section 3(c) (except to the extent such Section relates to amounts payable (whether directly or pursuant to the Indenture) to Persons other than the Loan Participants and the Loan Trustee in its individual capacity), Section 3(d) (except insofar as it relates to the address or account information of the Owner Trustee or the Loan Trustee) (other than as such Sections 3(a) through 3(d) may be amended pursuant to Section 3(e) of the Lease in effect on the Refunding Date), Section 4, Section 6, Section 9 (except that further restrictions may be imposed on the ability of the Company to terminate the Lease with respect to the Aircraft or an Engine), Section 10 (except that additional requirements may be imposed on the Company), Section 11 (except for Section 11(d) and except that additional insurance requirements may be imposed on the Company), Section 12 (except in order to increase the Company's liabilities or enhance the Lessor's rights thereunder), Section 13 (except in the case of an assignment by the Lessor in circumstances where the Aircraft shall remain registrable under the Federal Aviation Act), Section 14 (except to impose additional or more stringent Lease Events of Default), Section 15 (except to impose additional remedies), Section 16, Section 17 (except to impose additional requirements on the Company), Section 19, Section 22, Section 25 and any definition of terms used in the Lease, to the extent that any modification of such definition would result in a modification of the Lease not permitted pursuant to this subsection (b); provided that, in the event an Indenture Event of Default shall have occurred and be continuing, the Loan Trustee shall have all rights of the Owner Trustee as "Lessor" under the Lease to modify, amend or supplement the Lease or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the "Lessor" thereunder; provided further that, without the prior consent of the Owner Trustee, and whether or not an Indenture Event of Default shall

have occurred and be continuing, no such action shall be taken with respect to any of the provisions of Sections 1 (to the extent any modification of a definition contained therein would result in a modification of the Lease not permitted by this proviso), 3, 5, 6 (to the extent such action would reduce the Company's obligations), 7, 8, 9, 10, 11 (except to increase the amounts or types of insurance the Company must provide thereunder at its expense), 12, 13, 14, 15, 17 (insofar as it relates to the Lessor), 19, 20 and 28 of the Lease, or any other section of the Lease to the extent such action shall affect the amount or timing of any amounts payable by the Company under the Lease as originally executed (or as subsequently modified with the consent of the Owner Trustee) which, absent the occurrence and continuance of an Indenture Event of Default, would be distributable to the Owner Trustee under Article 3 or otherwise materially and adversely affects the rights of the Owner Trustee or the Owner Participant; and provided further that the parties to the Lease may take any such action without the consent of the Loan Trustee or any Loan Participant to the extent such action relates to the payment of amounts constituting, or the Owner Trustee's, the Owner Participant's or the Company's rights or obligations with respect to, Excepted Property;

(2) modify, amend or supplement the Trust Agreement, or give any consent, waiver, authorization or approval with respect thereto, in each case only to the extent any such action shall not adversely impact the interests of the Loan Participants;

(3) modify, amend or supplement the Participation Agreement, or give any consent, waiver, authorization or approval with respect thereto, except that without the consent of the Loan Participants holding a majority in principal amount of Outstanding Pass Through Equipment Notes, the parties to the Participation Agreement shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Participation Agreement as in effect on the Refunding Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants holding the Pass

Through Equipment Notes), Section 8, Sections 9(b) through 9(d), Section 10, Section 13, Section 16(b) and, to the extent the Loan Participants holding the Pass Through Equipment Notes would be adversely affected thereby, Section 16(c) and Section 17 and any definition of terms used in the Participation Agreement, to the extent that any modification of such definition would result in a modification of the Participation Agreement not permitted pursuant to this subsection (b);

(4) modify, amend or supplement any of said agreements in order to cure any ambiguity, to correct or supplement any provisions thereof which may be defective or inconsistent with any other provision thereof or of any provision of this Indenture, or to make any other provision with respect to matters or questions arising thereunder or under this Agreement which shall not be inconsistent with the provisions of this Agreement, provided the making of any such other provision shall not adversely affect the interests of the Loan Participants unless such provision corrects a mistake or cures an ambiguity; and

(5) any indemnities solely in favor of the Owner Participant or any member of its Related Indemnitee Group may be modified, amended or supplemented in such manner as shall be agreed by the Owner Participant and the Lessee.

(c) No modification, amendment, supplement, consent, waiver, authorization or approval with respect to the Lease or the Participation Agreement, whether effected pursuant to subsection (a) or pursuant to subsection (b) of this Section 11.06 and anything in such subsections or elsewhere in this Agreement to the contrary notwithstanding, shall, without the consent of each Loan Participant affected thereby,

(1) modify, amend or supplement the Lease in such a way as to extend the time of payment of Basic Rent or Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss or Stipulated Loss Value or any other amounts payable upon the occurrence of an Event of Loss or Termination Value and any other amounts payable upon termination of the Lease with respect to the Aircraft, payable under, or as provided in, the Lease in effect on the Refunding Date, or reduce the amount of any installment of Basic Rent or Supplemental Rent payable in respect of the Make- Whole Amount or Swap Breakage Loss as in effect on the Refunding Date so that the same is less than the payment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, and interest on the Equipment Notes, as the case may be, to be made from such installment of Basic Rent or

Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss, or reduce the aggregate amount of Stipulated Loss Value or Swap Breakage Loss or any other amounts payable under, or as provided in, the Lease as in effect on the Refunding Date upon the occurrence of an Event of Loss so that the same is less than the accrued interest on and principal as of the Lease Loss Payment Date, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, of the Equipment Notes at the time Outstanding or reduce the amount of Termination Value and any other amounts payable under, or as provided in, the Lease as in effect on the Refunding Date upon termination of the Lease with respect to the Aircraft so that the same is less than the accrued interest on and principal as of the Lease Termination Date and Make-Whole Amount, if any, or Swap Breakage Loss, if any, of Equipment Notes at the time Outstanding, or

(2) modify, amend or supplement the Lease in such a way as to, or consent to any assignment of the Lease or give any consent, waiver, authorization or approval which would, release the Company from its obligations in respect of payment of Basic Rent, Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss or Stipulated Loss Value and any other amounts payable upon the occurrence of an Event of Loss, or Termination Value and any other amounts payable upon termination of the Lease with respect to the Aircraft, payable under, or as provided in, the Lease as in effect on the Refunding Date, except for any such assignment pursuant to Section 13(E) of the Participation Agreement, and except as provided in the Lease as in effect on the Refunding Date.

ARTICLE 12.

MISCELLANEOUS

Section 12.01. Notices. (a) Unless otherwise specifically provided herein, all notices required or permitted by the terms of this Agreement shall be in English

and in writing, and any such notice shall become effective upon being deposited in the United States mail with proper postage for first-class registered or certified mail prepaid, or when delivered personally, or, if promptly confirmed by mail as provided above, when dispatched by telegram, telex or other written telecommunication, addressed to any party to this Agreement at their respective addresses or telex numbers,

if to the Company, to:

American Airlines, Inc.  
P.O. Box 619616  
4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155

Attention: Senior Vice President-Finance

Telex: 73-0613  
Answerback: AMAIR-DFWDAL  
Facsimile: (817) 963-4318  
Telephone: (817) 963-1234

if to the Loan Trustee, to:

State Street Bank and Trust Company of  
Connecticut, National Association  
c/o State Street Bank and Trust Company  
Two International Place -- 4th Floor  
Boston, Massachusetts 02110

Attention: Corporate Trust Department  
(AA 1995 PTC Series AB)

Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

if to the Owner Trustee, to:

Wilmington Trust Company  
Rodney Square North  
Wilmington, Delaware 19890

Attention: Corporate Trust Administration  
(AA 1995 PTC Series AB)

Facsimile: (302) 651-8882  
Telephone: (302) 651-1000

if to the Owner Participant, to:

AT&T Holdings, Inc.  
c/o AT&T Capital Corporation  
44 Whippany Road  
Morristown, New Jersey 07960

Attention: Edward F. Gromek

Facsimile: (201) 397-4368  
Telephone: (201) 397-3000

(b) The Company, the Owner Trustee, the Loan Trustee or the Owner Participant by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) Any notice or communication to Loan Participants shall be mailed by first-class mail to the addresses for Loan Participants shown on the Register kept by the Registrar and to addresses filed with the Loan Trustee for other Loan Participants. Failure so to mail a notice or communication or any defect in such notice or communication shall not affect its sufficiency with respect to other Loan Participants.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it is conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Loan Participants, it shall mail a copy to the Loan Trustee and to each Paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Loan Trustee shall be deemed to be given only when received by a Responsible Officer of the Loan Trustee.

Section 12.02. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company or the Owner Trustee to the Loan Trustee to take any action under this Agreement, the Company or the Owner Trustee, as the case may be, shall furnish to the Loan Trustee:

(1) a certificate of a Responsible Company Officer or a Responsible Officer, as the case may be, stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with;

except that in the case of any request or application as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular request or application, no additional certificate or Opinion of Counsel need be furnished pursuant to this Section 12.02.

Section 12.03. Rules by Loan Trustee and Agents. The Loan Trustee may make reasonable rules for action by or a meeting of Loan Participants. The Paying Agent or Registrar may make reasonable rules and set reasonable requirements for its functions.

Section 12.04. Non-Business Days. If any date scheduled for any payment of principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, interest or other amounts hereunder or under the Equipment Notes is not a Business Day, payment may be made at such place on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period; provided that, with respect to any payment of principal, interest or Swap Breakage Loss, if any, if by virtue of such extension the date of payment would fall in the next succeeding calendar month, then such sum shall be payable on the next preceding Business Day.

Section 12.05. GOVERNING LAW. THIS AGREEMENT AND THE EQUIPMENT NOTES HAVE BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 12.06. No Recourse Against Others. No director, officer, employee or stockholder, as such, of the Company, the Owner Trustee or the Owner Participant, as the case may be, shall have any liability for any obligations of the Company, the Owner Trustee or the Owner Participant, as the case may be, under this Agreement or for any claim based on, in respect of or by reason of such obligations or their

creation. Each Loan Participant by accepting an Equipment Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Equipment Notes.

Section 12.07. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

Section 12.08. Indenture for Benefit of Owner Trustee, Loan Trustee, Owner Participant and Loan Participants. Nothing in this Indenture, whether express or implied, shall be construed to give to any Person other than the Owner Trustee, the Loan Trustee, the Owner Participant, the Company and the Loan Participants any legal or equitable right, remedy or claim under or in respect of this Indenture.

Section 12.09. Severability. Any provision of this Indenture which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 12.10. No Oral Modifications or Continuing Waivers. No terms or provisions of this Indenture or the Equipment Notes may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party or other person against whom enforcement of the change, waiver, discharge or termination is sought; and any waiver of the terms hereof or of any Equipment Note shall be effective only in the specific instance and for the specific purpose given.

Section 12.11. Successors and Assigns. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, each of the parties hereto and the successors and permitted assigns of each, all as herein provided. Any request, notice, direction, consent, waiver or other instrument or action by any Loan Participant shall bind the successors and assigns of such Loan Participant.

Section 12.012. Headings. The headings of the various Articles and Sections herein and in the table of contents hereto are for the convenience of reference only and shall not define or limit any of the terms or provisions hereof.

ARTICLE 13.

ACTIONS TO BE TAKEN UPON TERMINATION OF LEASE

Section 13.01. Actions to Be Taken upon Termination of Lease. Upon any of:

(a) the voluntary termination of the Lease pursuant to Section 9(a) thereof on the Lease Termination Date, and upon payment to the Loan Trustee of an amount equal to the Redemption Price of all Outstanding Equipment Notes, or

(b) the purchase of the Aircraft by the Company at its option pursuant to Section 9(e) of the Lease on the Lease Termination Date or pursuant to Section 20(b) of the Lease on the Special Purchase Option Date (unless the Company shall have elected to assume all of the rights and obligations of the Owner Trustee hereunder as provided for in Section 7.03), and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the applicable Redemption Date of all Outstanding Equipment Notes, or

(c) the termination of the Lease, on the Lease Loss Payment Date, following an Event of Loss suffered by the Airframe under circumstances where the Company does not exercise its option to substitute a Replacement Airframe therefor pursuant to Section 10(a)(i) of the Lease, and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(d) the satisfaction, discharge, defeasance and termination of the obligations under this Agreement in accordance with Section 10.01,

the Lien of this Agreement on the Indenture Estate shall terminate (except for the Lien on funds held by the Loan Trustee to pay the Equipment Notes or the Loan Trustee) and the Loan Trustee shall execute such instruments as may be

requested by the Company or the Owner Trustee to evidence such termination.

ARTICLE 14.

ISSUANCE OF EQUIPMENT NOTES AFTER REDEMPTION

Section 14.01. Issuance of Equipment Notes After Redemption. Following a redemption of the Equipment Notes of any Maturity in accordance with Section 6.01(b)(2) or 6.01(b)(3), the Owner Trustee, with the consent of the Company, may issue and sell, and the Loan Trustee shall authenticate and deliver, one or more new series of Equipment Notes in an aggregate principal amount up to the aggregate principal amount of the Equipment Notes then being redeemed and having such terms and provisions (including, without limitation, interest rate, amortization schedule, maturity date and redemption provisions) as the Owner Trustee shall deem appropriate and as shall be approved by the Company; provided that if after such redemption any Equipment Notes remain outstanding, the new series of Equipment Notes:

(i) shall be denominated and payable in United States Dollars and shall not be in a principal amount greater than the Equipment Notes redeemed;

(ii) shall not rank senior in any respect to the Equipment Notes which remain outstanding; and

(iii) shall not have a maturity after or have a weighted average life longer than the Equipment Notes redeemed if any of the Equipment Notes which remain outstanding have a maturity date after or concurrent with the maturity date of the Equipment Notes redeemed; and provided further that prior to authentication of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., and Moody's Investors Service, Inc. to the effect that the issuance of such new series, by itself, would not result in a downgrading of the credit rating (if any) assigned to the Pass Through Certificates then outstanding and (ii) an Opinion of Counsel for the Company reasonably satisfactory to the Loan Trustee to the effect that the protection afforded by Section 1110 of the Bankruptcy Code to the existing Loan Participants would not be adversely affected by the issuance of such new series of Equipment Notes;

provided that such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Loan Participants with respect to the Aircraft immediately prior to such assumption; and provided further that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date.

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(Series AB)

IN WITNESS WHEREOF, the Owner Trustee and the Loan Trustee have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

WILMINGTON TRUST COMPANY, not  
in its individual capacity  
except as expressly provided  
herein, but solely as Owner  
Trustee

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

STATE STREET BANK AND TRUST  
COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, as  
Loan Trustee

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

Form of Pass Through Equipment Notes  
[Installment Equipment Notes]\*

No. \_\_\_\_\_

\$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AB  
WILMINGTON TRUST COMPANY,  
Not in its Individual Capacity  
but Solely as Owner Trustee Under the  
Trust Agreement (AA 1992 AF-2)  
(Redesignated AA 1995 PTC Series AB)  
Dated as of July 1, 1992

Issued in connection with Aircraft N7375A  
Leased to  
AMERICAN AIRLINES, INC.

## INTEREST RATE

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8.39%

## MATURITY DATE

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[January 2, 2017]\*

[----]\*\*

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-2) (redesignated AA 1995 PTC Series [ ]), dated as of July 1, 1992, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns the principal sum of \_\_\_\_\_ DOLLARS [in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above]\* [on the Maturity Date specified above]\*\* and to pay interest [on the original principal amount hereof remaining unpaid from time to time]\* [thereon]\*\* at the rate per annum specified

\* Include for Installment Equipment Notes only.

\*\* Include for all non-Installment Pass Through Equipment Notes.

(Series AB)

above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment [in full].\* In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Pass Through Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB) dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this Pass Through Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Loan Participant as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Loan Trustee is or shall be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Loan Trustee and the Owner Trustee, for any liability under the Indenture.

The interest [or Installment Payment Amount]\* so payable, and punctually paid or duly provided for, on or within 5 days after the applicable Interest Payment Date [or Installment Payment Date, as the case may be],\* will, as provided in the Indenture, be paid to the Person in whose name this Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on the Record Date for payment of such interest [or Installment Payment Amount],\* which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date [or Installment Payment Date, as the case may be].\* Any such interest [or Installment Payment Amount]\* not so punctually paid or duly provided for shall forthwith cease to be pay-

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\* Include for Installment Equipment Notes only.

able to the registered Loan Participant on such Record Date (or to the Person in whose name this Pass Through Equipment Note is registered upon issuance) and may be paid to the Person in whose name the Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on a Special Record Date for the payment of such [Defaulted Installment or]\* Defaulted Interest to be fixed by the Loan Trustee, notice whereof shall be given to Loan Participants entitled thereto not less than 10 days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Equipment Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, Make-Whole Amount, if any, and interest on this Pass Through Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest [and Installment Payment Amounts (other than that payable on the Maturity Date hereof)]\* may be made at the option of the Loan Trustee or the Paying Agent by check mailed to the address of the Loan Participant entitled thereto as such address shall appear on the Register.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03 of the Indenture.

This Pass Through Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Pass Through Equipment Note has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Loan Trustee by the manual signature of an authorized officer or

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\* Include for Installment Equipment Notes only.

signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions thereof, including a statement of the properties conveyed, pledged and assigned thereby, the nature and extent of the security thereby, the respective rights and obligations thereunder of the Owner Trustee, the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created thereby, to all of which terms and conditions therein each Loan Participant agrees by its acceptance of this Pass Through Equipment Note. Each holder hereof, by its acceptance of this Pass Through Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

[On each Installment Payment Date, the Loan Participant will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Pass Through Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
January 2, 2012	3.532850426%
January 2, 2013	15.910535011
January 2, 2014	17.604947685
January 2, 2015	20.866692083
January 2, 2016	22.616173169
July 2, 2016	0.643876816
January 2, 2017	18.824924810*

As more fully provided in the Indenture, the Pass Through Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail and under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof,

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\* Include for Installment Equipment Notes only.

Make-Whole Amount, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an event of default constitutes an event of default by the Company under the Lease, the Loan Trustee may declare the Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease.

The right of the Loan Participant to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Pass Through Equipment Note is transferable, and upon surrender of this Pass Through Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the

Loan Participant or its attorney duly authorized in writing, one or more new Pass Through Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

THIS PASS THROUGH EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS PASS THROUGH EQUIPMENT NOTE WILL BE MADE UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH ACT DOES NOT APPLY.

The Pass Through Equipment Notes are issuable only as registered Equipment Notes. The Pass Through Equipment Notes are issuable in denominations of \$1,000 and integral multiples thereof except that one such Pass Through Equipment Note of each maturity does not need to be an integral multiple of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Pass Through Equipment Notes are exchangeable for an equal aggregate principal amount of Pass Through Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Pass Through Equipment Notes to be exchanged or transferred, as requested by the Loan Participant surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Pass Through Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Pass Through Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Pass Through Equipment Note and for all other purposes whatsoever whether or not this Pass Through Equipment Note be overdue, and neither the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS PASS THROUGH EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely  
as Owner Trustee

By \_\_\_\_\_  
[Title]

7  
(Series AB)

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

8  
(Series AB)

## Form of Bank Equipment Notes

THIS BANK EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES OR SIMILAR LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE OR OTHERWISE DISPOSED OF EXCEPT WHILE SUCH REGISTRATION UNDER THE ACT AND SUCH SECURITIES AND SIMILAR LAWS IS IN EFFECT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THIS BANK EQUIPMENT NOTE IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 10 OF THE REFUNDING AGREEMENT REFERRED TO BELOW.

No. \_\_\_\_\_ \$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AB  
WILMINGTON TRUST COMPANY,  
Not in its Individual Capacity  
but Solely as Owner Trustee Under the  
Trust Agreement (AA 1992 AF-2)  
(Redesignated AA 1995 PTC Series AB)  
Dated as of July 1, 1992

Issued in connection with Aircraft N7375A  
Leased to  
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
----- 7.708%	----- July 2, 2010

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-2) (redesignated AA 1995 PTC Series AB), dated as of July 1, 1992, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to The Mitsubishi Trust and Banking Corporation, New York Branch, or regis-

(Series AB)

tered assigns the principal sum of \_\_\_\_\_ DOLLARS in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the original principal amount hereof remaining unpaid from time to time at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment in full. In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Bank Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this Bank Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Loan Participant as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Loan Trustee is or shall be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Loan Trustee and the Owner Trustee, for any liability under the Indenture.

The interest or Installment Payment Amount so payable, and punctually paid or duly provided for the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Bank Equipment Note (or one or more predecessor Bank Equipment Notes) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so

punctually paid or duly provided for shall be payable at the election of the Loan Trustee to the Bank Lender in whose name this Bank Equipment Note is registered in the Register on the date of such payment, all as more fully provided in the Indenture.

Payment of the principal of, Swap Breakage Loss, if any, and interest on this Bank Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Paying Agent appointed under the Indenture shall remit all such amounts so received by it via wire transfer of immediately available funds to such address and in such manner as each Bank Lender shall have designated in writing to the Paying Agent. The Paying Agent shall cause each payment to the Bank Lender hereof to be made by 4:00 p.m. on the day the Paying Agent receives such payment. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and by the time specified, the Paying Agent, in its individual capacity and not as Paying Agent, has agreed to compensate the Bank Lender holding this Bank Equipment Note for loss of use of such funds.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to this Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name this Bank Equipment Note is registered in the Register under the Indenture, under this Bank Equipment Note, and under the Participation Agreement or Refunding Agreement, the Bank Lender holding this Bank Equipment Note shall surrender this Bank Equipment Note to the Loan Trustee for cancellation.

This Bank Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Bank Equipment Note has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Owner Trustee, the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions each Bank Lender agrees by its acceptance of this Bank Equipment Note. Each holder hereof, by its acceptance of this Bank Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

On each Installment Payment Date, the Bank Lender will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Bank Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
July 2, 1995	0.188190925%
January 2, 1996	1.999862773
July 2, 1996	2.076937455
January 2, 1997	0.434383936
January 2, 1998	6.163801942
January 2, 1999	6.639620948
January 2, 2000	7.152171136
January 2, 2001	7.704287970
January 2, 2002	6.122244534
January 2, 2003	5.151963120
January 2, 2004	5.549672519
January 2, 2005	5.978083367
January 2, 2006	5.788630649
January 2, 2007	5.212343330
January 2, 2008	5.464635565
January 2, 2009	7.119237503
July 2, 2009	0.175318734
January 2, 2010	8.079272263
July 2, 2010	12.999341330

The final installment of principal of this Bank Equipment Note shall under all circumstances equal the entire principal balance hereof outstanding on the Maturity Date.

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, upon such notice and under the circumstances set forth in the Indenture, at the Redemption Price set forth for such circumstances therein.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an event of default constitutes an event of default by the Company under the Lease, the Loan Trustee may declare the Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease.

The right of the Bank Lender to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make-Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and in the Refunding Agreement and subject to certain limitations set forth herein and therein (including the limitations set forth in Section 10 of the Refunding Agreement), this Bank Equipment Note is transferable, and upon surrender of this Bank Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Bank Lender or his attorney duly authorized in writing, one or more new Bank Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Bank Equipment Notes are issuable only as registered Equipment Notes. The Bank Equipment Notes are issuable in denominations of not less than \$5,000,000 (or such lesser amount as shall constitute 100% of the aggregate unpaid principal amount of Bank Equipment Notes held by the Bank Lender holding such Bank Equipment Notes). As provided in the Indenture and subject to certain limitations set forth therein and in the Refunding Agreement, Bank Equipment Notes are exchangeable for an equal aggregate principal amount of Bank Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Bank Equipment Notes to be exchanged or transferred, as requested by the Bank Lender surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Bank Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Bank Lender in whose name this Bank Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bank Equipment Note and for all other purposes whatsoever whether or not this Bank Equipment Note be overdue, and neither the Owner Trustee, the Loan Trustee,

the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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(Series AB)

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS BANK EQUIPMENT  
NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE  
OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be  
duly executed under its corporate seal.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely  
as Owner Trustee

By \_\_\_\_\_  
[Title]

8  
(Series AB)

## LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

9  
(Series AB)

## Issuance of Equipment Notes

The Pass Through Equipment Notes issued hereunder shall be issued to and shall be payable to the Pass Through Trustee under the Pass Through Trust Agreement with respect to the Grantor Trust created thereby, in each case as set forth below:

1995-A Trust

The Bank Equipment Notes issued hereunder shall be issued to and shall be payable to the Initial Bank Lender.

(Series AB)

Exhibit C to Amended and  
Restated Trust Indenture  
and Security Agreement

[TRUST AGREEMENT AND]\* INDENTURE SUPPLEMENT NO. \_\_\_\_\_\*\*  
(AA 1995 PTC Series AB)

[Trust Agreement and]\* Indenture Supplement No. \_\_\_\_\_, dated \_\_\_\_\_, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement (AA 1992 AF-2) (redesignated AA PTC 1995 Series AB), dated as of July 1, 1992 (the "Trust Agreement"), between the Owner Trustee and \_\_\_\_\_, a \_\_\_\_\_ corporation, as Owner Participant, and STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as Loan Trustee (the "Loan Trustee") under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995 (the "Indenture"), between the Owner Trustee and the Loan Trustee.

W I T N E S S E T H:

WHEREAS, the Trust Agreement provides for the execution and delivery from time to time of supplements thereto (individually, a "Supplement" and, collectively, "Supplements"), each of which shall particularly describe the Aircraft (such term and other terms defined in the Indenture being used herein as therein defined) included in the property covered by the Trust Agreement;

WHEREAS, the Indenture provides for the execution and delivery from time to time of Supplements thereto which shall particularly describe the Aircraft and shall specifically mortgage the Aircraft to the Loan Trustee; and

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\* Include for Indenture Supplements other than Indenture Supplement No. 2.

\*\* The language of this form to be modified for any Indenture Supplements other than Indenture Supplement No. 2.

(Series AB)

WHEREAS, each of the Trust Agreement and the Indenture relates to the Aircraft and Engines described below and a counterpart of each of the Trust Agreement and the Indenture is attached to and made a part of this Trust Agreement and Indenture Supplement.

NOW, THEREFORE, in order to secure the prompt payment of the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, and interest on and all other amounts due with respect to, all Equipment Notes from time to time Outstanding and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions contained in the Indenture and in the other Operative Documents to which it is a party for the benefit of the Loan Participants, and the prompt payment of all amounts from time to time owing to the Loan Participants under the Participation Agreement and the Refunding Agreement by the Owner Trustee, the Owner Participant and the Lessee, and for the uses and purposes and subject to the terms and provisions of the Indenture, and in consideration of the premises and of the covenants contained in the Indenture, and of the acceptance of the Equipment Notes by the Loan Participants, and of the sum of \$1 paid to the Owner Trustee by the Loan Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors and assigns, for the security and benefit of the Loan Participants from time to time, a security interest in and mortgage Lien on all estate, right, title and interest of the Owner Trustee in, to and under the following described property:

AIRFRAME

One airframe identified as follows:

Manufacturer	Model	FAA Registration Number	Manufacturer's Serial Number
-----	-----	-----	-----

together with any and all Parts relating to such airframe

## AIRCRAFT ENGINES

Two aircraft engines, each such engine having 750 or more rated takeoff horsepower or the equivalent thereof, whether or not such Engines shall be installed in or attached to the Aircraft or any other aircraft, identified as follows:

Manufacturer -----	Model -----	Serial Number -----
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together with all Parts relating to such engines.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, its successors and assigns, in trust for the benefit and security of the Loan Participants from time to time and for the uses and purposes and subject to the terms and provisions set forth in the Indenture.

This Supplement shall be construed as supplemental to the Indenture and to the Trust Agreement and shall form a part of each, and the Trust Agreement and the Indenture are each hereby incorporated by reference herein and each is hereby ratified, approved and confirmed.

This Supplement is being delivered in the State of New York.

This Supplement may be executed by the Owner Trustee and the Loan Trustee in separate counterparts, each of which when so executed and delivered is an original, but all such counterparts shall together constitute but one and the same Supplement.

AND FURTHER, the Owner Trustee hereby acknowledges that the Aircraft referred to above has been delivered to the Owner Trustee and is included in the Indenture Estate of the Owner Trustee covered by all the terms and conditions of

the Trust Agreement, subject to the pledge or mortgage thereof under the Indenture.

IN WITNESS WHEREOF, Wilmington Trust Company, as the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as the Loan Trustee, have caused this Supplement to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity, but solely as  
Owner Trustee

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

STATE STREET BANK AND TRUST  
COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, not  
in its individual capacity,  
except as otherwise  
provided, but solely as  
Loan Trustee

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

Exhibit D to  
Amended and Restated  
Trust Indenture and  
Security Agreement  
(AA 1995 PTC Series AB)

As provided for in Section 7.03 of the Trust Indenture and Security Agreement to which this is Exhibit D, such Indenture will, subject to the satisfaction of the conditions specified in such Section 7.03, be deemed to have been amended, automatically and without the requirement of further action by any Person (as defined in such Indenture) effective as of the Relevant Date (as defined in such Indenture) and so that:

(A) Section 1.01(b) thereof shall include the following defined terms (and the following definition for any such term shall be the sole definition for such term):

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aircraft" means the Airframe, together with the two Engines described in the Trust Agreement and Indenture Supplement originally executed and delivered hereunder (or any Replacement Engine substituted for any Engine hereunder), whether or not any of such initial or substituted Engines may from time to time be installed on such Airframe or may be installed on any other airframe or on any other aircraft. The term "Aircraft" shall include any Replacement Aircraft.

"Airframe" means (i) the Boeing 767-323ER aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N7375A and Manufacturer's Serial Number 25202, subjected to the Lien hereunder pursuant to the Trust Agreement and Indenture Supplement originally executed and delivered hereunder and (ii) any and all Parts so long as the same shall be incorporated or installed in or attached to such aircraft, or so long as the same shall be subject to the Lien of this Indenture in accordance with the terms of Section 8 of Article 15 hereof after removal from such aircraft. The term Airframe shall include any Replacement Airframe substituted pursuant to Section 10(a) of Article 15 hereof. Except as otherwise set forth herein, at such time as a Replacement Airframe shall be so substituted and the Airframe for which the substitution is made shall be released from the Lien hereunder,

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such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day on which dealings in Dollar deposits are carried out in the London interbank market, other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds.

"Delivery Date" means the date of the Lease Supplement covering the Aircraft, which date shall be the date on which the Aircraft was delivered by the Company to, and accepted by, the Owner Trustee under the Purchase Agreement and the Purchase Agreement Assignment and was leased to and accepted by the Company under the Lease.

"Engine" means (i) each of the two General Electric CF6-80C2B6 engines bearing manufacturer's serial numbers 695539 and 695533 relating to the Airframe and subjected to the Lien hereunder pursuant to the Trust Agreement and Indenture Supplement originally executed and delivered hereunder whether or not from time to time installed on the Airframe or installed on any other airframe or on any other aircraft and (ii) any Replacement Engine which may from time to time be substituted pursuant to Article 15 hereof or which may have been substituted pursuant to the Lease, together, in each case, with any and all Parts incorporated or installed in or attached thereto or any and all Parts removed therefrom so long as the same shall be subject to the Lien of this Indenture in accordance with the terms of Section 8 of Article 15 hereof after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted and the Engine for which substitution is made shall be released from the Lien hereunder, such replaced Engine shall cease to be an Engine hereunder.

"Event of Loss" with respect to any property means any of the following events with respect to such property: (i) loss of such property or the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or constructive

total loss; (iii) the condemnation, confiscation or seizure of, or requisition of title to, or use of, such property (other than (x) a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit or such government) that shall not have extended more than one year beyond the latest maturity date of any of the Outstanding Equipment Notes, unless the Company shall have declared an Event of Loss pursuant to Section 10(d) of Article 15, (y) a requisition for use by any other Government that shall not have extended beyond the latest maturity date of any of the Outstanding Equipment Notes or (z) a requisition for use by the government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which shall not have resulted in a loss of possession of the Aircraft for a period in excess of twelve consecutive months and shall not have extended beyond the latest maturity date of any of the Outstanding Equipment Notes); (iv) as a result of any rule, regulation, order or other action by the Federal Aviation Administration, the Department of Transportation or other governmental body of the United States of America or the country of registry having jurisdiction, the use of such property in the normal course of air transportation of persons shall have been prohibited for a period of six consecutive months, unless the Company, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by the Company or, in any event, if such use shall have been prohibited for a period of twelve consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by a Government in any area excluded from coverage by any insurance policy in effect with respect to the Aircraft required by the terms of Section 11 of Article 15 hereof, unless the requisition for use shall have been made by a Government and the Company shall have obtained indemnity in lieu thereof from a Government pursuant to Section 11 of Article 15; provided if such property shall be returned to the Company in usable condition prior to the date on which notice of any redemption of Equipment Notes relating to the occurrence of any such event is given pursuant to this Indenture, then such event shall, at the option of the Company, not constitute (or be deemed to be within the definition of) an Event of Loss. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"Government" means the government of any of the United States of America, Canada, France, Germany, Japan, the Netherlands, Sweden, Switzerland and the United Kingdom, and any instrumentality or agency thereof, except that for purposes of the definition of "Event of Loss", the final sentence of Section 7(a) of Article 15, and Section 11 of Article 15, those instrumentalities and agencies included within the definition of "Government" shall be instrumentalities and agencies whose obligations bear the full faith and credit of the applicable government listed above.

"Loan Participant Liens" means Liens affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or the Indenture Estate or any interest therein as a result of (i) claims against any Loan Participant not related to the transactions contemplated by the Operative Documents and (ii) acts or omissions of any Loan Participant not related to the transactions contemplated by the Operative Documents or not permitted under the Operative Documents.

"Loss Payment Date" shall have the meaning specified therefor in Section 10(a)(ii) of Article 15 hereof.

"Manufacturer" means The Boeing Company, a Delaware corporation, and its successors and assigns.

"Operative Documents" means this Amendment, the Trust Indenture and Security Agreement, the Participation Agreement, the Purchase Agreement Assignment, the Trust Agreement and Indenture Supplement, the Bills of Sale and the Equipment Notes.

"Participation Agreement" means that certain Participation Agreement (AA 1992 AF-\_\_\_), dated as of \_\_\_\_\_, 1992, amended as of the date hereof, among the Company, the Loan Trustee, the Owner Participant, the Original Loan Participant and the Owner Trustee, as such Participation Agreement may from time to time be amended, modified or supplemented in accordance with the provisions thereof.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than (i) complete Engines or engines, (ii) any items leased by the Company and (iii) cargo containers) which may from time to time be incorporated or installed in or attached to the Airframe or any Engine.

"Permitted Air Carrier" shall have the meaning specified therefor in Section 7(b)(i) of Article 15 hereof.

"Permitted Countries" means any of the countries listed on Schedule I attached hereto.

"Permitted Liens" means Liens referred to in clauses (i) through (vii) of Section 6 of Article 15 hereof.

"Purchase Agreement" means the Purchase Agreement, dated as of June 23, 1989, between the Manufacturer and the Company (as heretofore amended, modified and supplemented), providing, among other things, for the manufacture and sale by the Manufacturer to the Company (or to financing entities designated by the Company) of certain Boeing 767 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented to the extent permitted by the terms of the Purchase Agreement Assignment and this Indenture.

"Purchase Agreement Assignment" means that certain Purchase Agreement Assignment (AA 1992 AF-2), dated as of July 1, 1992, between the Company and the Owner Trustee, as the same may be modified, amended, or supplemented from time to time pursuant to the applicable provisions thereof and in accordance with this Indenture, pursuant to which the Company assigns to the Owner Trustee certain of the Company's rights and interests under the Purchase Agreement with respect to the Aircraft, which Purchase Agreement Assignment has annexed thereto, a Consent and Agreement thereto executed by the Manufacturer, each as originally executed or as amended, modified or supplemented pursuant to the applicable provisions thereof.

"Redemption Price" means the price at which the Equipment Notes are to be redeemed, determined as of the Redemption Date, pursuant to Section 6.01 or Section 6.02, as the case may be.

"Refunding Agreement" means that certain Refunding Agreement (AA 1995 PTC Series AB), dated as of June 2, 1995, among the Company, the Owner Participant, the Owner Trustee, the Pass Through Trustee, the Original Loan Participants, the Indenture Trustee and the Loan Trustee, as such Refunding Agreement may from time to time be amended, modified or supplemented in accordance with the provisions thereof.

"Refunding Date" shall have the meaning specified therefor in Section 1(a) of the Refunding Agreement.

"Replacement Aircraft" means the Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" mean a Boeing 767-323ER aircraft or a comparable or an improved model of such aircraft of the Manufacturer (except Engines or engines from time to time installed thereon) described in a supplement to this Indenture, which shall have been substituted hereunder pursuant to Section 10(a) of Article 15 hereof, together with all Parts relating to such aircraft.

"Replacement Engine" shall mean a General Electric CF6-80C2B6 engine (or an engine of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine subject to the Lien hereunder) together with all Parts relating to such engine.

"Responsible Officer" means, (x) with respect to the Company, its Chairman of the Board, its President, any Senior Vice President, its Chief Financial Officer, any Vice President, the Treasurer or any other management employee (i) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (ii) whose responsibilities include the administration of the transactions and agreements, including this Indenture, contemplated by the Participation Agreement and the other Operative Documents and (y) with respect to the Loan Trustee, any officer in its corporate trust department, or any officer of the Loan Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"Taxes" has the meaning set forth in Section 7(c) of the Participation Agreement.

The following defined terms shall be deleted: "Basic Rent", "Excepted Property", "Lease Event of Default", "Lease Loss Payment Date", "Lease Supplement", "Lease Termination Date", "Lessor's Liens", "Rent", "Rent Schedule", "Special Termination Date", "Stipulated Loss Value", "Sup-

plemental Rent", "Tax Indemnity Agreement", "Termination Value", "Trust Agreement" and "Trust Estate".

(B) Sections 2.02, 2.09 and 2.11 of Article 2 thereof shall read as follows:

Section 2.02. Execution and Authentication. (a) Equipment Notes shall be executed on behalf of the Company by the manual or facsimile signature of its President, any Senior Vice President, Vice President, an Assistant Vice President, its Treasurer, its Secretary, an Assistant Secretary, an Assistant Treasurer or other authorized officer.

(b) If any officer of the Company executing the Equipment Notes or attesting to the Company's seal no longer holds that office at the time the Equipment Notes are executed on behalf of the Company, the Equipment Notes shall be valid nevertheless.

(c) At any time and from time to time after the execution of the Equipment Notes, the Company may deliver such Equipment Notes to the Loan Trustee for authentication and, subject to the provisions of Section 2.10, the Loan Trustee shall authenticate the Equipment Notes by manual signature upon written orders of the Company. Equipment Notes shall be authenticated on behalf of the Loan Trustee by any authorized officer or signatory of the Loan Trustee.

(d) An Equipment Note issued after the Relevant Date shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Company by the manual or facsimile signature of the officer of the Company specified in the first sentence of Section 2.02(a) and, until authenticated on behalf of the Loan Trustee, by the manual signature of the authorized officer or signatory of the Loan Trustee. Such signatures shall be conclusive evidence that such Equipment Note has been duly executed, authenticated and issued under this Indenture.

Section 2.09. Payment by the Company. All amounts payable to the Loan Participants under the Equipment Notes and this Indenture shall be the direct obligations of the Company which the Company agrees to pay when due.

Section 2.11. Assumption of Certain Obligations. Notwithstanding any provision to the contrary contained

herein, Section 2.01 and Sections 2.03 through 2.10 hereof shall be deemed amended to provide that any reference to or obligation of the Owner Trustee contained in any such Section shall after the Relevant Date be deemed to be a reference to or obligation of the Company.

(C) Article 3 thereof shall read as follows:

Section 3.01. [Intentionally Omitted]

Section 3.02. Payment in Case of Redemption of Equipment Notes. In the event the Equipment Notes are re-deemed in accordance with the provisions of Section 6.01 or Section 6.02, the Loan Trustee will apply on the Redemption Date any amounts then held by it the Indenture Estate and received by it from or on behalf of the Company, in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much thereof as shall be required to pay the Redemption Price on the Outstanding Equipment Notes pursuant to Section 6.01 or Section 6.02, as the case may be, on the Redemption Date shall be applied to the redemption of the Equipment Notes on the Redemption Date;

third, so much thereof as shall be required to pay the amounts described in clause "fifth" of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, thereof remaining shall be distributed to the Company or as the Company may request.

Section 3.03. Application of Payments When No Indenture Event of Default Is Continuing. Each payment received by the Loan Trustee from Company shall, except as otherwise provided in Section 3.02, 3.04, 3.05 or 3.06, be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay in full the principal of and in-

terest then due on all Outstanding Equipment Notes shall be distributed to the Persons entitled thereto;

second, so much of such aggregate amount remaining as shall be required to pay any amount due the Loan Trustee pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

third, so much thereof as shall be required to pay the amounts described in clause "fifth" of Section 3.05 shall be applied to pay such amounts; and

fourth the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Company.

Section 3.04. Application of Certain Payments in Case of Requisition or Event of Loss. Except as otherwise provided in Section 3.05 hereof, any amounts received directly or through the Company from any governmental authority or other Person pursuant to Section 10 of Article 15 hereof with respect to the Airframe or the Airframe and the Engines or engines then installed on the Airframe as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to said Section 10, and any amounts of insurance proceeds for damage to the Indenture Estate received directly or through the Company from any insurer pursuant to Section 11 of Article 15 hereof with respect thereto as the result of an Event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to said Section 11, shall be applied in reduction of the Company's obligations hereunder.

Section 3.05. Payments During Continuance of Indenture Event of Default. All payments received and amounts held or realized by the Loan Trustee after an Indenture Event of Default shall have occurred and be continuing (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Loan Trustee as part of the Indenture Estate while such Indenture Event of Default shall be continuing, shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts

then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expenses is liquidated) in using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, of and to the Indenture Estate and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

third, so much of such payments or amounts remaining as shall be required to pay the principal of and accrued interest on all Equipment Notes Outstanding payable to the Loan Participants then due and payable, whether by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal and interest; and in case the aggregate amount remaining shall be insufficient to pay in full the whole amount so due and unpaid, then such amount shall be applied to the payment of such principal and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts;

fourth, so much of such payments or amounts remaining as shall be required to pay the Make-Whole Amount, if any, and the Swap Breakage Loss, if any, as the case may be, then due and payable to any Loan Participant pursuant to Section 6.01 or 6.02 hereof but unpaid shall be applied ratably to the payment of such Make-Whole Amount, if any, or Swap Breakage Loss, as the case may be; and, in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other

Loan Participant, in the proportion that the aggregate amount due each such Loan Participant bears to the aggregate amount due all such Loan Participants under this clause fourth;

fifth, so much of such payments or amounts remaining as shall be required to pay to each Loan Participant all other amounts payable pursuant to the indemnification provisions of Section 7(b) or 7(c) of the Participation Agreement, pursuant to Section 14 of the Refunding Agreement or pursuant to any other provision of this Indenture or any Operative Document (excluding, in any case, any amounts payable pursuant to clause "second" or "third" of this Section 3.05 or amounts constituting a Make-Whole Amount or Swap Breakage Loss) to such Bank Lender or to its predecessors and remaining unpaid shall be distributed to such Bank Lender for distribution to itself and such predecessors, as their interests may appear, and if the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Bank Lender over any other Bank Lender, in the proportion that the aggregate amount due each such Bank Lender under this clause "fifth" bears to the aggregate amount due all such Bank Lenders under this clause "fifth"; and

sixth, the balance, if any, of such payments or amounts remaining thereafter shall be held by the Loan Trustee as collateral security for the obligations secured hereby until such time as no Indenture Event of Default shall be continuing hereunder or the Equipment Notes have been accelerated and all amounts due thereon have been paid, at which time such payments or amounts shall be distributed to the Company.

Section 3.06. Payments for Which Application Is Provided in Other Documents. Except as otherwise provided in this Indenture, any payment received by the Loan Trustee for which provision as to the application thereof is made in the Participation Agreement or the Refunding Agreement shall be distributed to the Person for whose benefit such payments were made.

Section 3.07. Payments for Which No Application Is Otherwise Provided. Except as otherwise provided in Section 3.05:

(a) any payment received by the Loan Trustee for which no provision as to the application thereof is made elsewhere in this Indenture; and

(b) any payment received and amounts realized by the Loan Trustee with respect to the Aircraft to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this Indenture or for the defeasance of the Equipment Notes shall have been satisfied, as well as any other amounts remaining as part of the Indenture Estate after such satisfaction

shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts; and

second, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Company.

Section 3.08. Credit in Respect of Equipment Notes Surrendered for Cancellation. (a) In satisfaction of the Company's obligation to pay all or any part of the principal of, premium, if any, and interest on the Equipment Notes due on any date, the Company may surrender, or cause to be surrendered, Equipment Notes the principal of which is or will be due on such date to the Loan Trustee for cancellation pursuant to Section 2.07 not later than 10 Business Days prior to such date, in which case there shall be credited against the amounts so payable by the Company in respect of the Equipment Notes as of such date the aggregate principal amount as of such date of the Equipment Notes so surrendered, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as applicable, thereon as of such date and the amount of interest which would have been payable on the Equipment Notes so surrendered on such date had they not been surrendered for cancellation and had they remained outstanding.

(b) In satisfaction of the Company's obligation to pay the Redemption Price upon a redemption pursuant to Section 6.01, the Company may surrender (or cause to be surrendered) Equipment Notes the principal of which is or

will be due on the related Redemption Date to the Loan Trustee for cancellation pursuant to Section 2.07 not later than 10 Business Days prior to such date, in which case there shall be credited against the amount so payable by the Company in respect of the Equipment Notes as of such date the aggregate principal amount of the Equipment Note so surrendered, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as applicable, thereon as of such Note date and the amount of the interest which would have been payable on the Equipment Notes so surrendered on such date had they not been surrendered for cancellation and had they remained Outstanding.

(D) Article 4 thereof shall read as follows:

[Intentionally omitted]

(E) Article 5 thereof shall read as follows:

Section 5.01. Disposition, Substitution and Release of Property Included in the Indenture Estate. So long as this Indenture is in effect:

(a) Parts. Any Parts and alterations, improvements and modifications in and additions to the Air- craft shall, to the extent required by Section 8 of Article 15 hereof, become subject to the Lien of this Indenture; provided that, to the extent permitted by and as provided in Section 8 of Article 15 hereof, the Company shall have the right, at any time and from time to time, without any release from or consent by the Loan Trustee, to remove, replace and pool Parts and to make alterations, improvements and modifications in, and additions to, the Aircraft. The Loan Trustee agrees that, to the extent permitted by and as provided in this Indenture, title to any such removed or re- placed Part shall vest in the Company free and clear of all rights of the Loan Trustee. The Loan Trustee shall from time to time execute an appropriate written in- strument or instruments to confirm the release of the security interest of the Loan Trustee in any Part as provided in this Section 5.01, in each case upon receipt by the Loan Trustee of a Company Request stating that said action was duly taken by the Company in con- formity with this Section 5.01 and that the execution of such written instrument or instruments is appropri- ate to evidence such release of a security interest under this Section 5.01.

(b) Substitution upon an Event of Loss Occurring to Airframe or Engines or upon Voluntary Termination with Respect to Engines. Upon (i) the occurrence of an Event of Loss with respect to the Airframe or an Engine or (ii) a voluntary termination of the Lien hereunder with respect to an Engine pursuant to Section 8(d) of Article 15 hereof, the Company may, in the case of an Event of Loss which has occurred to the Airframe, or shall, in the case of an Event of Loss which has occurred with respect to an Engine or the termination of the Lien hereunder with respect to an Engine, substitute an airframe or engine, as the case may be, in which case, upon satisfaction of all conditions to such substitution specified in Section 10 of Article 15 hereof, if applicable, the Loan Trustee shall release all of its right, interest and Lien in and to the Airframe or such Engine in accordance with the provisions of the following two sentences. The Loan Trustee shall execute and deliver to the Company or its designee an instrument releasing its Lien in and to the Airframe or such Engine and shall execute for recording in public offices, at the expense of the Company or such designee, such instruments in writing as the Company or such designee shall reasonably request and as shall be reasonably acceptable to the Loan Trustee in order to make clear upon public records that such Lien has been released under the laws of the applicable jurisdiction, and shall further execute such instruments as may be reasonably requested by the Company to release the Purchase Agreement and Purchase Agreement Assignment from the assignment and pledge thereof hereunder. The Company, for itself and any such designee, hereby waives and releases any and all rights existing or that may be acquired to any penalties, forfeit or damages from or against the Loan Trustee for failure to execute and deliver any document in connection with the release of a Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of a Lien, except for failure by the Loan Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by the Company or such designee.

(F) Article 6 thereof shall read as follows:

Section 6.01. Redemption of Equipment Notes upon Event of Loss. Upon the occurrence of an Event of Loss to

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the Aircraft if the Aircraft is not replaced pursuant to Section 10(a)(i) of Article 15 hereof, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to 100% of the outstanding principal amount of such Equipment Note plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, plus all other amounts payable to the Loan Participants. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.01 shall be the date on which payment of the amount required to be paid pursuant to Section 10(a)(ii) of Article 15 hereof is made by the Company.

Section 6.02. Other Redemptions. (a) Upon the request of the Company, upon at least 30 days' prior notice to the Loan Trustee, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof, together with accrued and unpaid interest thereon to, but not including, the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, but if redeemed thereafter, without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.02(a) shall be the date designated by the Company in the notice of the Company which shall be a Business Day.

(b) Upon the request of the Company (i) upon at least 30 days' prior irrevocable notice to the Loan Trustee in the case of the Pass Through Equipment Notes or (ii) upon at least five days' notice to the Loan Trustee in the case of the Bank Equipment Notes, and provided that all outstanding equipment notes then held in the same Pass Through Trust or by the same Bank Lender, as the case may be, are simultaneously being redeemed, each Outstanding Equipment Note having the maturity or being held by the Bank Lender designated by the Company in such notice shall be redeemed at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, but if redeemed thereafter with-

out Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.02(b) shall be the date designated in the notice of the Company which in the case of Equipment Notes issued on or after the Transfer Date shall be a Business Day.

Section 6.03. Notice of Redemption to Loan Participants.

Notice of redemption pursuant to Section 6.01 or Section 6.02 shall be given by first-class mail, postage prepaid, mailed not less than 25 or more than 60 days prior to the Redemption Date (except that, with respect to any Bank Equipment Notes for which a shorter period of notice to the Loan Trustee is provided, written notice shall be given to each affected Bank Lender as promptly as practicable after the Loan Trustee receives such notice), to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's address appearing in the Register; provided that, in the case of a redemption to be made pursuant to Section 6.02, such notice shall be revocable and shall be deemed revoked if notice of such redemption shall have been given in connection with a refinancing of Equipment Notes and the Loan Trustee receives written notice of such revocation from the Company not later than three Business Days prior to the Redemption Date.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,
- (3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Equipment Note, and that interest on the Equipment Notes shall cease to accrue on and after such Redemption Date, and
- (4) the place or places where such Equipment Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption of Equipment Notes to be redeemed shall be given by the Loan Trustee.

Section 6.04. Deposit of Redemption Price. On or before the Redemption Date, the Company shall, to the extent an amount equal to the Redemption Price for the Equipment

Notes to be redeemed on the Redemption Date shall not then be held in the Indenture Estate, deposit or cause to be deposited with the Loan Trustee or the Paying Agent by 12:00 Noon on the Redemption Date in immediately available funds the Redemption Price of the Equipment Notes to be redeemed.

Section 6.05. Equipment Notes Payable on Redemption Date.

Notice of redemption or purchase having been given as aforesaid (and not deemed revoked as contemplated in the proviso to Section 6.03), the Equipment Notes to be redeemed or purchased shall, on the Redemption Date, become due and payable, at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for such purposes pursuant to Section 2.03, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Equipment Notes then outstanding shall cease to bear interest. Promptly following payment of such Redemption Price with respect to any Bank Equipment Note, the Bank Lender holding such Bank Equipment Note shall surrender such Bank Equipment Note to the Loan Trustee. Upon surrender of any Pass Through Equipment Note for redemption or purchase in accordance with said notice such Equipment Note shall be paid at the Redemption Price.

If any Equipment Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate in effect for such Equipment Note as of such Redemption Date.

(G) Sections 7.01, 7.02, and 7.03 thereof shall read as follows:

Section 7.01. Repayment of Monies for Equipment Note Payments Held by the Loan Trustee. Any money held by the Loan Trustee or any Paying Agent in trust for any pay-

ment of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, including without limitation any money deposited pursuant to Article 10, and remaining unclaimed for more than two years and eleven months after the due date for such payment and any money paid to the Loan Trustee pursuant to Section 11.01 of the Pass Through Trust Agreement, shall be paid to the Company; and the Loan Participants entitled to payment thereon shall thereafter, as unsecured general creditors, look only to the Company for payment thereof, and all liability of the Loan Trustee or any such Paying Agent with respect to such trust money shall thereupon cease; provided that the Loan Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each such Loan Participant notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of mailing, any unclaimed balance of such money then remaining will be repaid to the Company as provided herein.

Section 7.02. Change in Registration. The Loan Trustee shall, upon the request of the Company, consent to the deregistration of the Aircraft under the laws of the jurisdiction in which it is at the time registered and the registration of the Aircraft under the laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) Such change in registration complies with the provisions of this Indenture.

(b) No Indenture Event of Default (and no event which, with lapse of time or notice, or both, would become an Indenture Event of Default) shall have occurred and be continuing at the date of such request or at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (i) if the change in registration results in the registration of the Aircraft under the laws of the United States of America or (ii) if the Loan Trustee in its discretion believes the change in registration would be advantageous to the Loan Participants.

(c) The Loan Trustee shall have received an opinion of counsel to the Company reasonably satisfactory to it to the effect that:

(i) after giving effect to the change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a fully perfected Lien and that all filing, recording or other action necessary to perfect and protect the Lien of the Indenture has been accomplished (or if such opinion cannot be given at the time by which the Loan Trustee has been requested to consent to a change in regis-

tration, (x) the opinion shall detail what filing, recording or other action is necessary and (y) the Loan Trustee shall have received a certificate from the Company that all possible preparation to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Loan Trustee on or prior to the effective date of the change in registration); and

(ii) the terms of this Indenture (including the governing law clauses) are legal, valid and binding and enforceable in such jurisdiction, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity and except as limited by applicable laws which may affect the remedies provided for in this Indenture, which laws, however, do not in the opinion of such counsel make the remedies provided in this Indenture inadequate for the practical realization of the rights and benefits provided hereby.

(d) The Loan Trustee shall have received assurances reasonably satisfactory to it that the insurance provisions contained in Section 11 of Article 15 hereof will have been complied with after giving effect to such change in registration.

(e) The Company shall have paid or made provision satisfactory to the Loan Trustee for the payment of all expenses connected with such change in registration.

The Loan Trustee shall execute such documents as the Company shall reasonably request in order to satisfy the above conditions and upon satisfaction of such conditions to effect the change in registration.

Section 7.03. [Intentionally Omitted]

(H) Sections 8.01, 8.02, 8.03 and 8.04 thereof shall read as follows:

Section 8.01. Indenture Events of Default. The following events shall constitute "Indenture Events of Default" under this Indenture (whether any such event shall be

voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Indenture Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) the Company shall fail to pay any installment of interest upon any Equipment Note, or the principal of any Equipment Note or of Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, in respect of any Equipment Note, in each case when the same shall be due and payable (whether upon redemption, final maturity, acceleration or otherwise), and, in each case, such failure shall continue for more than 15 days after the same shall have become due and payable; or

(b) the Company shall fail to carry and maintain insurance on or with respect to the Aircraft in accordance with the provisions of Section 11 of Article 15 hereof; provided that, in the case of insurance with respect to which cancellation, change or lapse for nonpayment of premium shall not be effective as to the Loan Trustee, the Bank Lenders or the Pass Through Trustee for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt of notice by the Loan Trustee of such cancellation, change or lapse, no such failure to carry and maintain insurance shall constitute an Indenture Event of Default hereunder until the earlier of (i) the date such failure shall have continued unremedied for a period of 20 days (five days in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee of the notice of cancellation, change or lapse referred to in Section 11(a)(C) or 11(b)(C) of Article 15 hereof, or (ii) the date such insurance not being in effect as to the Loan Trustee or the Bank Lenders; or

(c) the Company shall operate the Aircraft at a time when public liability insurance required by Section 11(a) of Article 15 hereof shall not be in effect; or

(d) the Company shall fail to perform or observe any covenant or agreement to be performed or observed by it hereunder or under the Participation Agreement and such failure shall continue unremedied for a period of 30 days after written notice thereof has been given by the Loan Trustee; provided that, if such failure is capable of being remedied, so long as the Company is diligently proceeding to remedy such failure, no such failure shall constitute an Event of Default hereunder for a period of up to 365 days; or

(e) any material representation or warranty made by the Company in the Participation Agreement or in the Purchase Agreement (to the extent applicable to the Aircraft) or in any document or certificate furnished by the Company in connection herewith or therewith or pursuant hereto or thereto shall prove to have been incorrect in any material respect at the time made and such incorrectness shall continue to be material and shall continue unremedied for a period of 30 days after written notice thereof has been given by the Loan Trustee; or

(f) the Company shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property or the Company shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(g) the Company shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against the Company in any such proceeding, or the Company shall by voluntary petition, answer or consent, seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(h) an order, judgment, or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Company, a receiver, trustee or liquidator of the Company or of any substantial part of its property, or sequestering any substan-

tial part of the property of the Company, and any such order, judgment or decree of appointment or sequestration shall remain in force undismissed, unstayed or unvacated for a period of 90 days after the date of entry thereof; or

(i) a petition against the Company in a proceeding under the Federal bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to the Company, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Company or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days;

provided that, notwithstanding anything to the contrary contained in this Indenture, any failure of the Company to perform or observe any covenant, condition, or agreement herein shall not constitute an Indenture Event of Default if such failure is caused solely by reason of an event referred to in the definition of "Event of Loss", so long as the Company is continuing to comply with the applicable terms of Section 10 of Article 15 hereof.

Section 8.02. Acceleration; Rescission and Annulment. If an Indenture Event of Default occurs and is continuing, the Loan Trustee, by notice to the Company, or the Loan Participants holding at least 25% in aggregate principal amount of outstanding Equipment Notes by notice to the Company and the Loan Trustee, may declare the principal of all the Equipment Notes to be due and payable. Upon such declaration, the principal of all Equipment Notes, together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal has been made or duly provided for shall be due and payable immediately, together with Swap Breakage Loss,

if any, on the Bank Equipment Notes. At any time after such declaration and prior to the sale or disposition of the Indenture Estate, the Loan Participants in a majority in aggregate principal amount of all of the Outstanding Equipment Notes, by notice to the Loan Trustee and the Company, may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of, Make-Whole Amount, if any, and Swap Breakage Loss, if any, and interest thereon, at the rate prescribed therefor in such Equipment Note and interest due or past due, if any, in respect of the Outstanding Equipment Notes plus all other amounts payable to the Loan Participants, other than by reason of such acceleration, and all sums due and payable to the Loan Trustee has been deposited with the Loan Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults and Indenture Events of Default under this Indenture have been cured or waived except nonpayment of principal of, Swap Breakage Loss, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No Make-Whole Amount shall be payable on the Pass Through Equipment Notes as a result of the acceleration of the Equipment Notes.

Section 8.03. Other Remedies Available to Loan Trustee. (a) After an Indenture Event of Default shall have occurred and so long as the same shall be continuing, then and in every such case the Loan Trustee, as trustee of an express trust and as holder of a security interest in the Aircraft or Engines or otherwise, may, at its option, declare this Indenture to be in default by a written notice to the Company; and at any time thereafter, so long as the Company shall not have remedied all outstanding Events of Default, the Loan Trustee may do one or more of the following with respect to all or any part of any Airframe or any Engines as the Loan Trustee in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect; provided, however, that, during any period when the Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 7(b) of Article 15 hereof and in the possession of the United States government or an instrumentality or agency thereof, and to the extent that any applicable law or contractual provision covering the Aircraft so requires, the Loan Trustee shall not, on account of any Indenture Event of Default, be entitled to do any of the following in such manner as to limit the Company's control (or any lessee's control, under any lease permitted by the terms of Section 7(b) of Article 15 hereof) of any Airframe or any Engines, unless at least 60 days' (or such lesser period as may then be applicable under the Military Airlift Command Program of the United States Government) prior written notice of default under this Indenture with respect to the Company's obligations hereunder shall have been given by the Loan Trustee by registered or certified mail to the Company (and, if applicable, any such

lessee) with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under any contract with the Company (or any such lessee) relating to the Aircraft:

(i) cause the Company, upon the written demand of the Loan Trustee and at the Company's expense, to re- turn promptly, and the Company shall return promptly, all or such part of any Airframe or any Engine as the Loan Trustee may so demand to the Loan Trustee or its order or the Loan Trustee, at its option, may enter upon the premises where all or any part of such Air- frame or any Engine are located and take immediate possession of and remove the same (together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; provided that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held for the account of any such owner, lessor, lienor or secured party or, if owned by the Company, may, at the option of the Loan Trustee, be exchanged with the Company for an Engine) all without liability accruing to the Loan Trustee for or by reason of such entry or taking of possession or removal, whether for the restoration of damage to prop- erty caused by taking or otherwise; or

(ii) sell all or any part of any Airframe and any Engine at public or private sale, whether or not the Loan Trustee shall at the time have possession thereof, as the Loan Trustee may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of such Airframe or such Engine as the Loan Trustee, in its sole discretion, may determine, all free and clear of any rights of the Company and without any duty to account to the Company with respect to such action or inaction or for any proceeds with respect thereto.

(b) Subject to Section 8.03(e) and Section 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Loan Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatso-

ever, and having first given notice of such sale by registered mail to the Company once at least thirty days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Loan Trustee may determine, and at any place (whether or not it be the location of the Indenture Estate or any part thereof) and time designated in the notice above referred to; provided, however, that, notwithstanding any provision herein to the contrary, the Loan Trustee shall not sell any of the Indenture Estate unless a declaration of acceleration has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further notice, and the Loan Trustee and any Loan Participant may bid and become the purchaser at any such sale. The Loan Trustee may exercise such right without possession or production of the Equipment Notes or proof of ownership thereof, and as representative of the Loan Participants may exercise such right without notice to the Loan Participants or including the Loan Participants as parties to any suit or proceeding relating to foreclosure of any property in the Indenture Estate. The Company hereby irrevocably constitutes the Loan Trustee the true and lawful attorney-in-fact of the Company (in the name of the Company or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the Lien created under this Indenture, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Loan Trustee may consider necessary or appropriate, with full power of substitution, the Company hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Loan Trustee or any purchaser, the Company shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and such proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) Subject to Section 8.03(e) and 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Company shall, at the request the Loan Trustee, promptly execute and deliver to the Loan Trustee such instruments of

title or other documents as the Loan Trustee may deem necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Indenture Estate. If the Company shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee shall be entitled, in a proceeding to which the Company will be a necessary party, to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Loan Trustee the right to immediate possession and requiring the Company to execute and deliver such instruments and documents to the Loan Trustee. The Loan Trustee shall also be entitled to pursue all or any part of the Indenture Estate wherever it may be found and may enter any of the premises of the Company or any other Person whenever the Indenture Estate may be or is supposed to be and search for the Indenture Estate and take possession of any item of the Indenture Estate pursuant to this Section 8.03(c). The Loan Trustee may, from time to time, at the expense of the Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Indenture Estate, as it may deem proper. In each such case, the Loan Trustee shall have the right to use, operate, store, lease, control or manage the Indenture Estate, and to exercise all rights and powers of the Company relating to the Indenture Estate as the Loan Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, leasing, control or management of the Indenture Estate or any part thereof; and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents, issues, profits, products, revenues and other income of the Indenture Estate and every part thereof, without prejudice, however, to the right of the Loan Trustee under any provision of this Indenture to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls, rents, issues, profits, products, revenues and other income shall be applied to pay all expenses of using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part

thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Company in accordance with this Section 8.03(c)), and all other payments which the Loan Trustee may be required or authorized to make under any provision of this Indenture, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Loan Trustee, and of all Persons properly engaged and employed by the Loan Trustee.

If an Indenture Event of Default occurs and is continuing and the Loan Trustee shall have obtained possession of or title to the Aircraft, the Loan Trustee shall not be obligated to use or operate the Aircraft or cause the Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of the Aircraft by any other Person unless (i) the Loan Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all liability for loss or damage to the Aircraft and for public liability and property damage resulting from use or operation of the Aircraft and (ii) funds are available in the Indenture Estate to pay for all such insurance or, in lieu of such insurance, the Loan Trustee is furnished with indemnification from the holders of the Equipment Notes or any other Person upon terms and in amounts satisfactory to the Loan Trustee in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Section 8.03(e) and 8.03(h), the Loan Trustee may proceed to protect and enforce this Indenture and the Equipment Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate or any part thereof, or for the recovery in judgment for the indebtedness secured by the Lien created under this Indenture or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(e) Notwithstanding any provision of this Indenture to the contrary, including, without limitation, Sec-

tions 8.03(b), 8.03(c) and 8.03(d), so long as no Indenture Event of Default shall have occurred and be continuing, the Loan Trustee shall not take any action contrary to, or disturb, the Company's rights to possession and use of, and quiet enjoyment of, the Aircraft.

(f) Each and every right, power and remedy herein given to the Loan Trustee specifically or otherwise in this Indenture shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Company or to be an acquiescence therein.

(g) Notwithstanding any provision hereof, if any payment of principal of any Equipment Note shall not be made when and as the same shall become due and payable, or if any payment of interest on any Equipment Note shall not be made when and as the same shall become due and payable, and such failure shall continue for the period prescribed in Section 8.01(a), the Loan Trustee shall be entitled to recover judgment, in its own name and as trustee of an express trust, upon the Equipment Note for the whole amount of such principal or interest, as the case may be, remaining unpaid.

(h) Notwithstanding anything contained herein, so long as the Pass Through Trustee is the registered holder of any Equipment Note hereunder, the Loan Trustee is not authorized or empowered to acquire title to all or any portion of the Indenture Estate or take any action with respect to all or any portion of the Indenture Estate so acquired by it if such acquisition or action would cause any Pass Through Trust to fail to qualify as a "grantor trust" for Federal income tax purposes.

Section 8.04. Waiver of Company. To the extent now or at any time hereafter enforceable under applicable law, the Company covenants that it will not at any time

insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Indenture Estate or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of the Company acquiring any interest in or title to the Indenture Estate or any part thereof subsequent to the date of this Indenture, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Loan Trustee, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

The Loan Trustee may maintain such a proceeding even if it does not possess any of the Equipment Notes or does not produce any of them in the proceeding. A delay or omission by the Loan Trustee or any Loan Participant in exercising any right or remedy accruing upon an Indenture Event of Default under this Indenture shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

(I) Section 9.11 thereof shall read as follows:

Section 9.11. Assumption of Certain Obligations.

Notwithstanding any provision to the contrary contained herein, any reference in this Article 9 to the Owner Trustee or to any obligation of the Owner Trustee shall be deemed to be a reference to the Company or to an obligation of the Company, as the case may be, any reference to "Lease Event of Default" shall be deemed to be a reference to an "Indenture Event of Default," all provisions requiring notices to the Owner Trustee or the Owner Participant shall be deemed to be deleted for the purposes of this Article 9 and any provision in this Article 9 requiring the action or consent of the Owner Trustee shall be deemed to require the action or approval of the Company.

(J) Sections 10.01 and 10.04 thereof shall read as follows:

Section 10.01. Satisfaction and Discharge of Agreement; Defeasance; Termination of Obligations. Subject to Section 10.02, this Indenture shall cease to be of further effect, and the Company and the Loan Trustee shall be deemed to have been discharged from their respective obligations with respect to the Equipment Notes (and the Loan Trustee, on demand and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture in respect of the Equipment Notes), when

(a) (i) all Equipment Notes theretofore executed and delivered (other than (A) Equipment Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.06 and (B) Equipment Notes for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been delivered to the Loan Trustee for cancellation; or

(ii) all Equipment Notes not theretofore delivered to the Loan Trustee for cancellation have become due and payable (whether upon stated maturity, as a result of redemption or upon acceleration), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of the deposit referred to below) at maturity within one year, and there has been deposited with the Loan Trustee in trust for the purpose of paying and discharging the entire indebtedness of the Equipment Notes not theretofore cancelled by the Loan Trustee or delivered to the Loan Trustee for cancellation, an amount in cash sufficient without reinvestment thereof to discharge such indebtedness, including the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes to the date of such deposit (in the case of Equipment Notes which have become due and payable), or to the maturity thereof, as the case may be, plus all other amounts payable to the Loan Participants; or

(iii) (A) the Company has deposited or caused to be deposited irrevocably (except as provided in Sec-

tion 10.04) with the Loan Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Loan Participants, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this clause) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Loan Trustee, to pay and discharge each installment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case maybe, and interest on the Outstanding Equipment Notes on the dates such payments of principal or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of such deposit) and no Indenture Event of Default or Indenture Default under any of Sections 8.01(f) through 8.01(i) hereof shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date; provided further that, upon the making of the deposit referred to above in clause (A), the right of the Company to cause the redemption of Equipment Notes (except redemption in respect of which irrevocable notice has theretofore been given) shall terminate;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default under, this Indenture or a default or event of default under any other agreement or instrument to which the Company is a party or by which it is bound; and

(C) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Loan Participants will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise by the Company of its option under this Section 10.01(a)(iii) and will be subject to Federal income tax on the same amount and in the same manner and

at the same time as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable hereunder have been paid; and

(c) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Indenture contemplated by this Section 10.01 have been complied with.

Section 10.04. Monies to Be Returned to the Company. The Loan Trustee and any Paying Agent shall promptly pay or return to the Company upon request of the Company any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 for which money or U.S. Government Obligations have been deposited pursuant to Section 10.01.

(K) Sections 11.01, 11.02 and 11.06 thereof shall read as follows:

Section 11.01. Amendments to This Agreement Without Consent of Loan Participants. The Company and the Loan Trustee may enter into one or more agreements supplemental hereto without the consent of any Loan Participant for any of the following purposes:

(1) (a) to cure any defect or inconsistency herein or in the Equipment Notes or to make any change not inconsistent with the provisions hereof (provided that such change does not adversely affect the interests of any Loan Participant) or (b) to cure any ambiguity or correct any mistake;

(2) to evidence the succession of another corporation to the Company, or to evidence (in accordance with Article 9) the succession of a new trustee hereunder, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees;

(3) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or

questions arising hereunder so long as such action shall not adversely affect the interests of the Loan Participants;

(4) to correct or amplify the description of any property at any time subject to the Lien of this Indenture or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Indenture or to subject to the Lien of this Indenture the Airframe or Engines or airframe or engines substituted for the Airframe or Engines in accordance herewith;

(5) to add to the covenants of the Company, for the benefit of the Loan Participants, or to surrender any rights or power herein conferred upon the Company;

(6) to add to the rights of the Loan Participants; or

(7) to include on the Equipment Notes any legend as may be required by law.

Section 11.02. Amendments to This Indenture with Consent of Loan Participants. (a) With the written consent of the Loan Participants holding a majority of the aggregate principal amount of the Outstanding Equipment Notes, the Company and the Loan Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Indenture or of any such supplemental agreements or to modify the rights of the Loan Participants; provided, however, that without the consent of each Loan Participant affected thereby, an amendment under this Section 11.02 may not:

(1) reduce the principal amount of, any Installment Payment Amount payable with respect to, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note is due or payable; or

(3) create any Lien on the Indenture Estate prior to or pari passu with the Lien thereon under this Indenture except such as are permitted by this Indenture,

or deprive any Loan Participant all or any part of the benefit of the Lien on the Indenture Estate created by this Indenture; or

(4) reduce the percentage in principal amount of the Outstanding Equipment Notes, the consent of whose holders is required for any such supplemental agreement, or the consent of whose holders are required for any waiver (of compliance with certain provisions of this Indenture or of certain defaults hereunder or their consequences) provided for in this Indenture; or

(5) make any change in Section 8.05 or 8.08 or this Section 11.02(a); or

(6) change the definition of "Indenture Estate" or the amounts secured thereby.

(b) It is not necessary under this Section 11.02 for the Loan Participants to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Company and the Loan Trustee of any supplemental agreement pursuant to the provisions of this Section 11.02, the Company shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Loan Participants, as the names and addresses of such Loan Participants appear on the Register. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 11.06. Amendments, Waivers, etc. of Other Operative Documents. (a) Without the consent of the Loan Participants holding a majority in principal amount of Outstanding Equipment Notes, the parties to the Participation Agreement may not modify, amend or supplement said agreement, or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder; provided, however, that the actions specified in subsection (b) of this Section 11.06 may be taken without the consent of the Loan Trustee or any Loan Participant.

(b) Subject to the provisions of subsection (c) of this Section 11.06, the parties to the Participation Agreement at any time and from time to time without the consent of the Loan Trustee or of any Loan Participant may:

(1) [Intentionally Omitted]

(2) [Intentionally Omitted]

(3) modify, amend or supplement the Participation Agreement, or give any consent, waiver, authorization or approval with respect thereto, except that without the consent of the Loan Participants holding a majority in principal amount of Outstanding Pass Through Equipment Notes, the parties to the Participation Agreement shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Participation Agreement as in effect on the Refunding Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants holding the Pass Through Equipment Notes), Section 8, Section 10, Section 13, Section 16(b) and, to the extent the Loan Participants holding the Pass Through Equipment Notes would be adversely affected thereby, Section 16(c) and Section 17 and any definition of terms used in the Participation Agreement, to the extent that any modification of such definition would result in a modification of the Participation Agreement not permitted pursuant to this subsection (b); and

(4) modify, amend or supplement said agreement in order to cure any ambiguity, amend or supplement any provisions thereof which may be defective or inconsistent with any other provision thereof or of any provision of this Indenture, or to make any other provision with respect to matters or questions arising thereunder or under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided the making of any such other provision shall not adversely affect the interests of the Loan Participants.

(c) [Intentionally Omitted]

(L) Sections 12.01, 12.02 and 12.06 thereof shall read as

follows:

Section 12.01. Notices. (a) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Indenture shall be in English and in writing, and any such notice may be given by United States mail, courier service, telegram, telex, teletype, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, teletype, telecopy, telefax, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid,

if to the Company, to:

American Airlines, Inc.  
P.O. Box 619616  
4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155

Attention: Senior Vice President-Finance  
Telex: 73-0613  
Answerback: AMAIR DFWDAL  
Facsimile: (817) 963-4318  
Telephone: (817) 963-1234

if to the Loan Trustee, to:

State Street Bank and Trust Company of  
Connecticut, National Association  
c/o State Street Bank and Trust Company  
Two International Place -- 4th Floor  
Boston, Massachusetts 02110

Attention: Corporate Trust Department  
(AA 1995 PTC Series AB)  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

(c) Any notice or communication to Loan Participants shall be mailed by first-class mail to the addresses for Loan Participants shown on the Register kept by the Registrar and to addresses filed with the Loan Trustee for other Loan Participants. Failure so to mail a notice or

communication or any defect in such notice or communication shall not affect its sufficiency with respect to other Loan Participants.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it is conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Loan Participants, it shall mail a copy to the Loan Trustee and to each Paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Loan Trustee shall be deemed to be given only when received by a Responsible Officer of the Loan Trustee.

Section 12.02. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Loan Trustee to take any action under this Indenture, the Company shall furnish to the Loan Trustee:

(1) a Certificate of a Responsible Officer of the Company stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent having been complied with.

Section 12.06. No Recourse Against Others. No director, officer, employee or stockholder, as such, of the Company shall have any liability for any obligations of the Company under this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Loan Participant by accepting an Equipment Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Equipment Notes.

(M) Article 13 thereof shall read as follows:

## ARTICLE 13

ACTIONS TO BE TAKEN UPON REDEMPTION AND UPON  
SATISFACTION OF OBLIGATIONS HEREUNDER

Section 13.01. Actions to Be Taken upon Redemption and upon Satisfaction of Obligations Hereunder. Upon any of

(a) an Event of Loss suffered by the Airframe under circumstances where the Company does not exercise its option to substitute a Replacement Airframe therefor pursuant to Section 10(a)(i) of Article 15 hereof, and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(b) a redemption of all Outstanding Equipment Notes pursuant to Section 6.02, and upon the payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(c) satisfaction and discharge, defeasance and termination of the obligations under this Indenture in accordance with Section 10.01 hereof,

the Lien of this Indenture on the Indenture Estate shall terminate (except for the Lien on funds held by the Loan Trustee to pay the Equipment Notes or the Loan Trustee) and the Loan Trustee shall execute such instruments as may be reasonably requested by the Company to evidence such termination.

(N) Article 14 thereof shall read as follows:

## ARTICLE 14

## Section 14.01. Issuance of Equipment Notes After Redemption.

Following a redemption of the Equipment Notes of any Maturity in accordance with Section 6.02(b) hereof the Company may issue and sell and the Loan Trustee shall authenticate, one or more new series of Equipment Notes in an aggregate principal amount up to the aggregate principal amount of the Equipment Notes then being redeemed and having such terms and provisions (including, without limitation, interest rate, amortization schedule, maturity date and redemption provisions) as the Company shall deem appropri-

ate; provided that if after such redemption any Equipment Notes remain outstanding the new series of Equipment Notes:

(i) shall be denominated and payable in United States Dollars and shall not be in a principal amount greater than the Equipment Notes redeemed;

(ii) shall not rank senior in any respect to the Equipment Notes which remain outstanding; and

(iii) shall not have a maturity after or have a weighted average life longer than the Equipment Notes redeemed if any of the Equipment Notes remain outstanding have a maturity date after or concurrent with the maturity date of the Equipment Notes redeemed; and

provided further, that prior to authentication and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Rating Group, a division of McGraw-Hill, Inc. and Moody's Investors Service, Inc. to the effect that the issuance of such new series, by itself, would not result in a downgrading of the credit rating assigned to the Pass Through Certificates then outstanding (if any), and (ii) an Opinion of Counsel for the Company reasonably satisfactory to the Loan Trustee to the effect that the protection afforded by Section 1110 of the Bankruptcy Code to the existing Loan Participants would not be adversely affected by the issuance of such new series of Equipment Notes; provided that such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Loan Participants with respect to the Aircraft immediately prior to such Assumption; and provided further, that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date.

(0) The Indenture shall include the following Article 15:

This Article 15 consists of Sections 6, 7, 8, 10, 11, 12, 17, 24, 27, 28, 29 and 30. Sections 1 through 5, 9, 13 through 16, 18 through 23, 25 and 26 are intentionally omitted.

Section 6. Liens. The Company will not directly or indirectly create, incur, assume or suffer to exist any

Lien on or with respect to the Airframe or any Engine, title thereto or any interest therein except (i) the respective rights of the Loan Trustee and the Company as herein provided and the Lien created hereunder, and the rights of each Loan Participant, the Loan Trustee and the Pass Through Trust Trustee under this Indenture, the Participation Agreement, the Refunding Agreement and the Pass Through Trust Agreements, (ii) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 7(b) and 8(b) of this Article, (iii) Loan Participant Liens and Trustee's Liens, (iv) Liens for Taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (vi) Liens arising out of judgments or awards against the Company with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review and (vii) salvage or similar rights of insurers under insurance policies maintained pursuant to Section 11 of this Article. The Company will promptly, at its own expense, take such action as may be necessary duly to discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

Section 7. Registration, Maintenance and Operation; Possession; Insignia. (a) Registration, Maintenance and Operation. The Company, at its own cost and expense, shall:

(i) cause the Aircraft at all times to be duly registered, under the laws of the United States, in the name of the Company, as owner, except as otherwise required by the Federal Aviation Act; provided that the Loan Trustee shall execute and deliver all such documents as the Company shall reasonably request for the purpose of effecting and continuing such registration.

Notwithstanding the preceding sentence, but subject always to the terms and conditions set forth in Section 7.02 of this Indenture, the Company may cause the Aircraft to be duly registered under the laws of any jurisdiction in which a lessee pursuant to Section 7(b)(ix) of this Article could be principally based and shall thereafter maintain such registration unless and until changed as provided herein and therein; and the Loan Trustee will cooperate with the company in effecting such foreign registration;

(ii) maintain, service, repair, overhaul and test the Aircraft in accordance with a maintenance program (as approved by the Federal Aviation Administration) for Boeing 767-300 series aircraft (or, at the Company's option, (x) in the event that the Aircraft is re-registered in another jurisdiction pursuant to Section 7(a)(i) of this Article, in accordance with an aircraft maintenance program approved by the central civil aviation authority of the jurisdiction of such registration or (y) in the event of any lease to a foreign air carrier in accordance with Section 7(b)(ix) of this Article, approved by the central civil aviation authority of one of the jurisdictions specified in clause (y) of such Section 7(b)(ix)) and in the same manner and with the same care used by the Company with respect to comparable aircraft and engines owned or operated by the Company and utilized in similar circumstances so as to keep the Aircraft in as good operating condition as when delivered to the Company by the Manufacturer, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times (other than during temporary periods of storage in accordance with applicable regulations or during periods of grounding by applicable governmental authorities, except where such periods of grounding are the result of the failure by the Company to maintain the Aircraft as otherwise required herein) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction and in compliance with all applicable manufacturer's alert service bulletins;

(iii) maintain, in the English language, all records, logs and other materials required by the appropriate authorities in the jurisdiction where the Air-

craft is registered to be maintained in respect of the Aircraft; and

(iv) promptly furnish to the Loan Trustee such information as may be required to enable the Loan Trustee to file any reports, returns or statements required to be filed by the Loan Trustee with any governmental authority because of the Loan Trustee's interest in the Aircraft.

The Company agrees that the Aircraft will not be maintained, used or operated in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority; provided that the Company shall not be in default under this sentence if it is not possible for it to comply with the laws of a jurisdiction other than the United States (or other than any jurisdiction in which the Aircraft is then registered) because of a conflict with the applicable laws of the United States (or such jurisdiction in which the Aircraft is then registered). In the event that any such law, rule, regulation or order requires alteration of the Aircraft, the Company will conform thereto or obtain conformance therewith at no expense to the Loan Trustee and will maintain the Aircraft in proper operating condition under such laws, rules, regulations and orders; provided, however, that the Company may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect the Loan Trustee, the Aircraft, the Loan Participants or the Lien of this Indenture. The Company also agrees not to operate or locate the Aircraft, or suffer the Aircraft to be operated or located, (i) in any area excluded from coverage by any insurance required by the terms of Section 11 of this Article, except in the case of a requisition for use by any Government where the Company obtains indemnity pursuant to Section 11 of this Article in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 of this Article in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 of this Article covering such area, or (ii) in any war zone or recognized or, in the Company's judgment, threatened area of hostilities unless covered by war risk insurance in accordance with Section 11 of this Article, but only so long as the same remains in effect while the Aircraft is so operated or located, or unless the

Aircraft is operated or used under contract with any Government entered into pursuant to Section 11 of this Article, under which contract such Government assumes liability for any damage, loss, destruction or failure to return possession of the Aircraft at the end of the term of such contract or for injury to persons or damage to property of others.

(b) Possession. The Company will not, without the prior written consent of the Loan Trustee, lease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided that, so long as no Indenture Event of Default shall have occurred and be continuing, and so long as the action to be taken shall not deprive the Loan Trustee of the perfected lien of this Indenture on the Airframe or (subject to the subclause (B) of the "provided further" clause to subsection (i) of this Section 7(b)) any Engine, and in any event, so long as the company shall comply with the provisions of Section 11, the Company may, without the prior consent of the Loan Trustee:

(i) subject the Airframe to normal interchange agreements or any Engine to normal interchange or pooling agreements or arrangements in each case customary in the airline industry and entered into by the Company in the ordinary course of its business with any other United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority or with any "foreign air carrier" (as such term is defined in such Act) as to which there is in force a permit issued pursuant to Section 402 of said Act (any such United States certificated air carrier and any such foreign air carrier being hereinafter called a "Permitted Air Carrier"); provided that no transfer of the registration of such Airframe shall be effected in connection therewith; and provided, further, that (A) no such agreement or arrangement contemplates or requires the transfer of title to the Airframe and (B) if the Company's title to any such Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and the Company shall comply with Section 10(b) of this Article in respect thereof;

(ii) deliver possession of the Airframe or any Engine to the manufacturer thereof for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on the Airframe or such Engine or any part thereof or for alterations or modifications in or additions to the Airframe or such Engine to the extent required or permitted by the terms of Section 7(a) or 8(c) of this Article;

(iii) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to a sublease, contract or other instrument, a copy of which shall be furnished to the Loan Trustee;

(iv) transfer possession of the Airframe or any Engine to the United State of America or any instrumentality or agency thereof in accordance with applicable laws, rulings, regulations or orders (including, without limitation, the Civil Reserve Air Fleet Program authorized under 10 U.S.C. Section 9511 et seq. or any substantially similar program);

(v) install an Engine on an airframe owned by the Company free and clear of all Liens, except (A) those of the type permitted under clauses (i), (iii), (iv), (v), (vi) and (vii) of Section 6 of this Article and those which apply only to the engines (other than Engines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety) and ( B) the rights of other Permitted Air Carriers under normal interchange agreements which are customary in the airline industry and do not contemplate, permit or require the transfer of title to the airframe or engines installed thereon;

(vi) install an Engine on an airframe leased to the Company or owned by the Company subject to a conditional sale or other security agreement; provided that (A) such airframe is free and clear of all Liens except the right of the parties to the lease or conditional sale or other security agreement covering such airframe and except Liens of the type permitted by clauses (A) and (B) of subparagraph (v) of this paragraph of Section 7(b) of this Article and (B) the Company shall have obtained from the lessor or secured party of such airframe a written agreement (which may

be the lease or conditional sale or other security agreement covering such airframe), in form and substance satisfactory to the Loan Trustee (it being understood that an agreement from such lessor or secured party substantially in the form of the final sentence of the penultimate paragraph of this Section 7(b) of this Article shall be deemed to be satisfactory to the Loan Trustee), whereby such lessor or secured party expressly agrees that neither it nor its successors or assigns will acquire or claim any right, title or interest in any Engine by reason of such Engine being installed on such airframe at any time while such Engine is subject to the lien of the Trust Indenture;

(vii) install an Engine on an airframe owned by the Company, leased to the Company or owned by the Company subject to a conditional sale or other security agreement under circumstances where neither subparagraph (v) nor subparagraph (vi) of this Section 7(b) of this Article is applicable; provided that such installation shall be deemed an Event of Loss with respect to such Engine and the Company shall comply with Section 10(b) of this Article in respect thereof, the Loan Trustee not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by the Company with such Section 10(b) of this Article;

(viii) lease any Engine or the Airframe and Engines or engines then installed on the Airframe to any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or successor provision that gives like authority;

(ix) lease any Engine or the Airframe and Engines or engines then installed on the Airframe to ( A) any foreign air carrier that is principally based in and a domiciliary of a country (other than Cuba, El Salvador, Iran, Iraq, Lebanon and Libya) that is at the inception of the lease a party to the Mortgage Convention, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Schedule I hereto, or (C) any foreign air carrier not described in clause (A) or (B) above; provided that (w) in the case only of a lease to a foreign air carrier under clause (C) above, the Loan Trustee receives at the time of

such lease an opinion of counsel to the Company (which counsel shall be reasonably satisfactory to the Loan Trustee) to the effect that ( a) the terms of the lease and the Operative Documents are legal, valid, binding and enforceable in the country in which such air carrier is principally based, to substantially the same extent as the Operative Documents are at that time enforceable in the United States, (b) it is not necessary for the Loan Trustee to qualify to do business in such country solely as a result of the proposed lease, (c) there is no tort liability of the Loan Trustee as a result of the Lien of this Indenture under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on the Loan Trustee under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Loan Trustee, such opinion shall be waived if insurance reasonably satisfactory to the Loan Trustee is provided by the Company to cover the risk of such liability), (d) the laws of such country require fair compensation by the government of such country for the loss of the use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Company shall have agreed to provide insurance reasonably satisfactory to the Loan Trustee covering the risk of requisition of use of the Aircraft by the government of such jurisdiction so long as the aircraft is leased in such country), and (e) there exist no possessory rights in favor of such lessee under the laws of such country which would, upon bankruptcy of or other default by the Company or the lessee, prevent the return of such Engine or the Airframe and such Engine or engine to the Loan Trustee in accordance with and when permitted by the terms of this Indenture upon the exercise by the Loan Trustee of its remedies under this Indenture (x) in the case only of a lease to a foreign air carrier under clause (C) above, the Loan Trustee receives assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Company shall have agreed to provide the requisition insurance described in subclause (d) of clause (w) above), (y) in the case of any lease to a foreign air carrier, either the lease, or an arrangement existing between the Company, the lessee and/or one or more third parties that provide maintenance services, provides that the Aircraft will be maintained, serviced,

repaired, overhauled and tested in accordance with maintenance standards for Boeing 767-300 series aircraft approved by, or substantially similar to those approved or required by, the Federal Aviation Administration or the central civil aviation authority of any of Brazil, Canada, France, The Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, Switzerland or the United Kingdom and (z) in the case of any lease to a foreign air carrier (other than a foreign air carrier principally based in Taiwan) the United States of America maintains diplomatic relations with the country in which such foreign air carrier is principally based at the time such lease is entered into;

provided that the rights of any transferee who receives possession by reason of a transfer permitted by this Section 7(b) (other than the transfer of an Engine which is deemed an Event of Loss) shall be subject and subordinate to, and any lease permitted by this Section 7(b) shall be made expressly subject and subordinate to, all the terms of this Indenture, including, without limitation, the Loan Trustee's rights to repossession pursuant to Article 8 hereof and to avoid such lease upon such repossession and the Loan Trustee's rights to possession pursuant to Section 8.03 of this Indenture, and the Company shall in all events remain primarily liable hereunder for the performance and observance of all of the terms and conditions of this Indenture to the same extent as if such lease or transfer had not occurred, and any such lease shall include appropriate provisions for the maintenance (subject to clause (y) of the proviso to Section 7(b)(ix) of this Article) and insurance of the Aircraft. The Company shall not lease the Aircraft to an air carrier that at the inception of the lease is subject to bankruptcy, insolvency or other similar proceedings unless the lease shall have been approved by the receiver, liquidator, conservator, court or other governmental or administrative authority or entity responsible for the adjudication or administration of such proceedings. No interchange agreement, pooling agreement, lease or other relinquishment of possession of the Airframe or any Engine shall in any way discharge or diminish any of the Company's obligations to the Loan Trustee hereunder or under the Participation Agreement. With the prior written consent of the Loan Trustee, the Company may sublease the Airframe or Engines in connection with a transaction that involves such a sublease commencing at the inception of the transaction. The Loan Trustee hereby agrees, for the benefit of the les-

or secured party of any airframe leased by the Company or owned by the Company subject to a conditional sale or other security agreement, that the Loan Trustee will not acquire or claim, as against such lessor or secured party, any right, title or interest in any engine or engines owned by the lessor under such lease or subject to a security interest in favor of the secured party under such conditional sale or other security agreement as the result of such engine or engines being installed on the Airframe at any time while such engine or engines are subject to such lease or conditional sale or other security agreement.

The Loan Trustee acknowledges that any "wet lease" or other similar arrangement under which the Company maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 7(b).

(c) Insignia. The Company agrees to at all times maintain in the cockpit of the Airframe adjacent to the airworthiness certificate therein and (if not prevented by applicable law or regulations or by any governmental authority) on each Engine a nameplate bearing the inscription "STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE, MORTGAGEE" (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Loan Trustee).

Section 8. Replacement and Pooling of Parts; Alterations, Modifications and Additions. (a) Replacement of Parts. The Company, at its own cost and expense, will promptly replace all Parts which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use for any reason whatsoever, except as otherwise provided in Section 8(c) of this Article. In addition, the Company may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use; provided that the Company, except as otherwise provided in Section 8(c) of this Article, will, at its own cost and expense, replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all Liens (except for pooling arrangements to the extent permitted by Section 8(b) of this Article and Permitted Liens) and shall

be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from the Airframe or any Engine shall remain subject to the Lien of this Indenture, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the Airframe or such Engine and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Airframe or any Engine as above provided without further act, (i) title to the replaced Part shall thereupon be free and clear of all rights of the Loan Trustee, and shall no longer be deemed a Part hereunder, (ii) title to such replacement Part shall thereupon be subject to the Lien of this Indenture, free and clear of all Liens (except for Permitted Liens) and (iii) such replacement Part shall become subject to this Indenture and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Parts originally incorporated or installed in or attached to the Airframe or such Engine.

(b) Pooling of Parts. Any Part removed from the Airframe or any Engine as provided in Section 8(a) of this Article may be subjected by the Company to a normal pooling arrangement customary in the airline industry entered into in the ordinary course of the Company's business with Permitted Air Carriers; provided that the Part replacing such removed Part shall be incorporated or installed in or attached to the Airframe or such Engine in accordance with Section 8(a) of this Article as promptly as practicable after the removal of such removed Part. In addition, any replacement Part, when incorporated or installed in or attached to the Airframe or any Engine in accordance with Section 8(a) of this Article, may be owned by a Permitted Air Carrier subject to such a normal pooling arrangement; provided that the Company, at its expense, as promptly thereafter as is practicable, either (i) causes title to such replacement Part to vest in the Company free and clear of all Liens except Permitted Liens, at which time such replacement Part shall, in accordance with Section 8(a) of this Article, become a Part and become subject to the Lien of this Indenture or (ii) replaces such replacement Part by incorporating or installing in or attaching to the Airframe or such Engine a further replacement Part owned by the Company free and clear of all Liens (other than Permitted

Liens), which shall without further act be subject to the Lien of this Indenture.

(c) Alterations, Modifications and Additions. The Company, at its own expense, will make such alterations and modifications in and additions to the Airframe and the Engines as may be required from time to time to meet the standards of the Federal Aviation Administration or other governmental authority having jurisdiction in any country in or over which the Aircraft is flown, provided, however, that the Company may, in good faith, contest the validity or application of any such standard in any reasonable manner which does not materially adversely affect the Loan Trustee or the Lien of this Indenture, but only so long as such proceedings do not involve any material danger of criminal liability or material danger of civil liability to the Loan Trustee, or a material danger of the sale, forfeiture or loss of the Aircraft or any Engine or any interest therein. In addition, the Company, at its own expense, may from time to time make or cause to be made such alterations and modifications in and additions to the Airframe or any Engine as the Company may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts; provided that no such alterations, modification, additional or removal shall materially diminish the value or utility of the Airframe or such Engine or of the Aircraft, or materially impair the condition or airworthiness thereof, below the value, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or removal assuming the Airframe or such Engine was then of the value and utility and in the condition and airworthiness required to be maintained by the terms of this Indenture, except that the value (but not the utility, condition or airworthiness) of the Aircraft may be reduced by the value of Parts which the Company deems obsolete or no longer suitable or appropriate for use in the Airframe or any Engine which shall have been removed, if the aggregate value of such obsolete or unsuitable Parts removed from the Aircraft and not replaced shall not exceed \$500,000. All Parts incorporated or installed in or attached or added to the Airframe or any Engine as the result of such alteration, modification or addition shall, without further act, be subject to the Lien of this Indenture. Notwithstanding the foregoing, the Company may, at any time, remove any Part; provided that (i) such Part is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to the Airframe or such Engine at the time of delivery thereof under the Lease

or hereunder, or any Part in replacement of, or substitution for, any such Part, (ii) such Part is not required to be incorporated or installed in or attached or added to such Airframe or Engine pursuant to the first sentence of this Section 8(c), and (iii) such Part can be removed from the Airframe or such Engine without materially diminishing or impairing the value, utility, condition or airworthiness required to be maintained by the terms of this Indenture had such removal not occurred. Upon the removal by the Company of any Part as provided in the immediately preceding sentence, or the removal of any obsolete or unsuitable part permitted by this Section 8(c), such Part shall no longer be deemed part of the Airframe or the Engine from which it was removed and shall no longer be subject to the Lien of this Indenture. Any such Part not removed by the Company as provided in Section 8(c)(iii) of this Article shall remain subject to the Lien of this Indenture.

Section 10. Loss, Destruction, Requisition, Etc. Event of Loss with Respect to an Airframe. (a) Upon the occurrence of an Event of Loss with respect to the Airframe, the Company shall forthwith (and, in any event, within 30 days after such occurrence) give the Loan Trustee written notice of such Event of Loss and of its election to perform one of the following options (it being agreed that if the Company shall not have given notice of such election within such 30 days after such occurrence, the Company shall be deemed to have elected to perform the option set forth in the following clause (ii)):

i. as promptly as practicable, and in any event on or before the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss, in replacement for the Airframe, the Company shall convey or cause to be conveyed to the Loan Trustee a security interest in and to one or more Replacement Airframes (together with the same number of Replacement Engines as the Engines, if any, installed on the Airframe at the time such Event of Loss occurred), such Replacement Airframe and Replacement Engines to be duly certificated as airworthy by the central aviation authority of the jurisdiction of the registry of such Replacement Airframes and Engines, free and clear of all Liens (other than Permitted Liens), to have a value and utility at least equal to, and to be in as good operating condition as, the Airframe and Engines, if any, so replaced (assuming such Airframe and Engines were in the condition and repair

required by the terms of this Indenture); provided that, if the Company shall not perform its obligation to effect such replacement under this clause ( i) during the period of time provided herein, then the Company shall promptly give notice to the Loan Trustee and shall pay on the Business Day next following the thirtieth day after the end of such period to the Loan Trustee, in U.S. currency, the amounts specified in clause (ii) below; or

ii. on or before the Loss Payment Date (as defined below) the Company shall pay to the Loan Trustee an amount in cash which is sufficient to redeem each Outstanding Equipment Note pursuant to Section 6.01 of the Indenture; provided that the Company may, to the extent provided and in accordance with Section 3.08 hereof, surrender, to the Loan Trustee for cancellation Equipment Notes held by the Company and in such event the Company shall be entitled to a credit against amounts otherwise payable pursuant to this clause (ii). As used herein, "Loss Payment Date" means the earliest of ( x) 30 days following the date on which insurance proceeds are received with respect to such Event of Loss, (y) the Business Day next following the 121st day next following the date of occurrence of the Event of Loss and (z) an earlier Business Day irrevocably specified by the Company at least thirty days in advance by notice to the Loan Trustee; provided, however, the Loss Payment Date shall be the date specified in the proviso to clause (i) above if applicable.

Upon compliance by the Company with the requirements of this Section 10(a)(ii), the Loan Trustee shall execute such instruments as may be reasonably requested by the Company releasing the Airframe and Engines from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereof hereunder.

At the time of or prior to any replacement of the Airframe and such Engines pursuant to Section 10(a)(i) of this Article, if any, the Company, at its own expense, will (A) cause a Trust Agreement and Indenture Supplement, substantially in the form of Exhibit C hereto for such Replacement Airframe and Replacement Engines, if any, to be delivered to the Loan Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable

laws of the jurisdiction other than the United States of America in which such Replacement Aircraft and Replacement Engines, if any, are to be registered in accordance with Section 7(a) of this Article, as the case may be, ( B ) cause a financing statement or statements with respect to the Replacement Airframe and Replacement Engines, if any, or other requisite documents or instruments, to be filed in such place or places as necessary or advisable in order to perfect the security interest therein created by or pursuant to this Indenture, or, if necessary or advisable, pursuant to the applicable laws of the jurisdiction in which such Replacement Aircraft and Replacement Engines, if any, are to be registered in accordance with Section 7(a) of this Article, as the case may be, ( C ) furnish the Loan Trustee with a certificate of an independent aircraft engineer or appraiser reasonably satisfactory to the Loan Trustee certifying that the Replacement Airframe and Replacement Engines, if any, have a value and utility at least equal to, and are in as good operating condition as, the Airframe and Engines, if any, so replaced assuming the Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, ( D ) furnish the Loan Trustee with ( i ) such evidence of compliance with the insurance provisions of Section 11 of this Article with respect to such Replacement Airframe and Replacement Engines as the Loan Trustee may reasonably request and ( ii ) a certificate from a Responsible Officer of the Company certifying that at the time of such replacement, there is no continuing Indenture Event of Default, ( E ) furnish the Loan Trustee with an opinion of the Company's counsel (which may be the Company's General Counsel) addressed to the Loan Trustee that the substituted property will be subject to the Lien of this Indenture and the Loan Trustee should be entitled to the benefits of Section 1110 of the United States Bankruptcy Code of 1978, as amended, with respect to the Replacement Airframe, provided that ( x ) such opinion need not be delivered to the extent that the benefits of such Section 1110 were not, by reason of a change in law or governmental interpretation thereof, available to the Loan Trustee with respect to the Aircraft immediately prior to such substitution and ( y ) such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 4(J) of the Participation Agreement on the Delivery Date. In the case of each Replacement Airframe and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10(a), and each Replacement Engine, if any, in which a security interest has

been granted to the Loan Trustee under this Section 10(a), promptly upon the recordation of the Trust Agreement and Indenture Supplement covering such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine pursuant to the Federal Aviation Act (or pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine, are registered in accordance with Section 7(a) of this Article), the Company will cause to be delivered to the Loan Trustee a favorable opinion of counsel to the Company as to the due registration of such Replacement Aircraft, the due recordation of such Trust Agreement and Indenture Supplement or other requisite documents or instruments and the validity and perfection of the security interest in the Replacement Airframe, Replacement Engines or Replacement Engine, as the case may be, granted to the Loan Trustee under this Indenture.

For all purposes hereof, upon grant of a security interest therein to the Loan Trustee, each Replacement Aircraft and the Replacement Engines, if any, shall be deemed part of the property secured hereunder; each such Replacement Airframe shall be deemed an "Airframe" as defined herein, and each such Replacement Engine shall be deemed an "Engine" as defined herein. Upon full compliance with the terms of the previous paragraph, the Loan Trustee shall execute and deliver to the Company an appropriate instrument releasing such replaced airframe and engines (if any) installed thereon at the time such Event of Loss occurred from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge hereunder.

(b) Event of Loss with Respect to an Engine. Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which there has not occurred an Event of Loss with respect to the Airframe, the Company shall give the Loan Trustee prompt written notice thereof and shall, within 90 days after the occurrence of such Event of Loss, convey or cause to be conveyed to the Loan Trustee, as replacement for the Engine with respect to which such Event of Loss occurred, a security interest in and to a Replacement Engine free and clear of all Liens (other than Permitted Liens) and having a value and utility at least equal to, and being in as good operating condition as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value and utility and in the condition and repair required by the terms hereof immedi-

ately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, the Company, at its own expense, will (i) cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit C hereto or other requisite documents or instruments for such Replacement Engine to be delivered to the Loan Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (ii) furnish the Loan Trustee with a certificate of an aircraft engineer or appraiser (who may be an employee of the Company) certifying that such Replacement Engine has a value and utility at least equal to, and is in as good operating condition as, the Engine so replaced, assuming such Engine was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss and (iii) cause a financing statement or statements with respect to the Replacement Engine or other requisite documents or instruments to be filed in such place or places necessary or advisable in order to perfect the security interest in the Replacement Engine created by or pursuant to this Indenture, or, if necessary or advisable, pursuant to the applicable laws of the jurisdiction in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, and (iv) furnish the Loan Trustee with such evidence of compliance with the insurance provisions of Section 11 of this Article with respect to such Replacement Engine as the Loan Trustee may reasonably request, and (v) furnish the Loan Trustee with an opinion of the Company's counsel (which may be the Company's General Counsel) addressed to the Loan Trustee to the effect that such substituted property will be subjected to the Lien of this Indenture. Upon full compliance by the Company with the terms of this paragraph (b), the Loan Trustee will transfer to the Company, without recourse or warranty (except as to the Trustee's Liens), all of Loan Trustee's right, title and interest in and to the Engine with respect to which such Event of Loss occurred, and Loan Trustee will assign to or as directed by the Company all claims of Loan Trustee against third Persons relating to such Engine arising from such Event of Loss. In addition, upon such transfer the Loan Trustee shall execute and deliver to the Company an appropriate instrument releasing such Engine from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment (in respect of such Engine) from the assignment and

pledge under this Indenture. For all purposes hereof, each such Replacement Engine shall, after such conveyance, be deemed part of the property secured hereunder and shall be deemed an "Engine" as defined herein.

(c) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds the application of which is provided for in Section 11 of this Article) received at any time by the Loan Trustee or by the Company from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Airframe or any Engine, other than a requisition for use by any Government or by the government of registry of the Aircraft not constituting an Event of Loss, will be applied as follows:

(i) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has been or is being replaced by the Company pursuant to Section 10(a) of this Article, such payments shall be paid over to, or retained by, the Loan Trustee, and upon completion of such replacement be paid over to, or retained by, the Company;

(ii) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has not been and will not be replaced pursuant to Section 10(a) of this Article, such payments shall, after reimbursement of the Loan Trustee for costs and expenses, be applied in reduction of the Company's obligation to pay the amounts required to be paid by the Company pursuant to Section 10(a) of this Article, if not already paid by the Company, or, if already paid by the Company, shall be applied to reimburse the Company for its payment of such amounts, and the balance, if any, of such payments remaining thereafter shall be paid over to, and retained by, the Company; and

(iii) if such payments are received with respect to an Engine under circumstances contemplated by Section 10(b) of this Article, so much of such payments remaining after reimbursement of the Loan Trustee for costs and expenses shall be paid over to, or retained by, the Company; provided that the Company shall have

fully performed the terms of Section 10(b) of this Article with respect to the Event of Loss for which such payments are made.

(d) Requisition for Use by the Government of the Airframe and the Engines Installed Thereon. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof), including, without limitation, pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv) of this Article of the Airframe and the Engines or engines installed on the Airframe, the Company shall promptly notify the Loan Trustee of such requisition and, except as otherwise provided in this Indenture, such requisition shall not constitute an Event of Loss and all of the Company's obligations under this Indenture with respect to the Aircraft shall continue to the same extent as if such requisition had not occurred unless or until such requisition shall constitute an Event of Loss. All payments received by the Loan Trustee or the Company from the Government or government for the use of the Airframe and Engines or engines prior to the occurrence of an Event of Loss shall be paid over to, or retained by, the Company.

(e) Requisition for Use by the Government of an Engine. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof) of any Engine (but not the Airframe), the Company will replace such Engine hereunder by complying with the terms of Section 10(b) of this Article to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received by the Loan Trustee or the Company from such Government or government with respect to such requisition shall be paid over to, or retained by, the Company.

(f) Application of Payments During Existence of Indenture Event of Default. Any amount referred to in clause (i), (ii) or (iii) of Section 10(c), Section 10(d) or Section 10(e) of this Article which is payable to the Company shall not be paid to the Company, or if it has been previously paid directly to the Company, shall not be retained by the Company, if at the time of such payment an Indenture Event of Default, or an Indenture Default which would constitute an Indenture Event of Default under Section 8.01(a), 8.01(f), 8.01(g), 8.01(h) or 8.01(i), shall

have occurred and be continuing, but shall be paid to and held by the Loan Trustee as security for the obligations of the Company under this Indenture, and at such time as there shall not be continuing any such Indenture Event of Default or event, such amount shall be paid to the Company, provided that, if any such amount has been so held by the Loan Trustee as security for more than 90 days after an Event of Default shall have occurred and during which period (x) the Loan Trustee shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (y) the Loan Trustee shall not have commenced to exercise any remedy available to it under this Indenture, then such amount shall be paid to the Company.

Section 11. Insurance. Public Liability and Property Damage Insurance. (a) Subject to the rights of the Company to establish and maintain self-insurance with respect to public liability and property damage liability insurance for aircraft and engines (including, the Aircraft and Engines) in the manner and to the extent specified in the next sentence, the Company will carry, or cause to be carried, at no expense to the Loan Trustee, any Bank Lender or the Pass Through Trustee, public liability (including, without limitation, contractual liability and passenger legal liability) and property damage liability insurance (exclusive of manufacturer's product liability insurance) with respect to the Aircraft (i) in amounts which are not less than the public liability and property damage insurance applicable to similar aircraft and engines which comprise the Company's fleet on which the Company carries insurance, provided that such liability insurance shall not be less than the amount certified to the Original Loan Participants on the Delivery Date, (ii) of the type usually carried by corporations engaged in the same or similar business, similarly situated with the Company, and owning or operating similar aircraft and engines and covering risks of the kind customarily insured against by the Company, and (iii) which is maintained in effect with insurers of recognized responsibility. The Company may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including, the self- insurance permitted by Section 11(b) of this Article) with respect to all of the aircraft and engines in the Company's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (x) 50% of the largest replacement value of any single aircraft in the Company's fleet or (y) 1-1/2% of the average

aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance, provided that, in the event that there shall have occurred a material adverse change in the financial condition of the Company from such condition as is reflected in the consolidated financial statements of the Company at December 31, 1982, then, upon not less than 30 days' written notice from the Loan Trustee to the Company, the Company will, until the Company's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as the Loan Trustee may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies of insurance carried in accordance with this Section 11(a) and any policies taken out in substitution or replacement for any of such policies (A) shall name the Loan Trustee, any Bank Lender or the Pass Through Trustee as additional insureds as their respective interests may appear, (B) shall provide that in respect of the respective interests of the Loan Trustee, any Bank Lender and the Pass Through Trustee in such policies the insurance shall not be invalidated by any action or inaction of the Company and shall insure the Loan Trustee's, such Bank Lender's and the Pass Through Trustee's Interests as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any substantial change is made in the policy which affects the coverage certified hereunder to the Loan Trustee, any Bank Lender or the Pass Through Trustee, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Loan Trustee, such Bank Lender or the Pass Through Trustee for 30 days (seven days, or such other period as is customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee, such Bank Lender or the Pass Through Trustee, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall provide that neither the Loan Trustee, such Bank Lender nor the Pass Through Trustee shall have any obligation or liability for premiums, commissions, assessments or calls in connection with such insurance, (E) shall provide that the insurers shall waive (i) any rights

of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee, such Bank Lender and the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee, such Bank Lender or the Pass Through Trustee to the extent that the Company has waived its rights by its agreements to indemnify any such party pursuant to this Indenture or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from the rights retained by the Company shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by the Company, (F) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee, any Bank Lender or the Pass Through Trustee with respect to its Interests as such in the Aircraft and (G) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. "Interests" as used in this Section 11(a) and Section 11(b) of this Article with respect to any person means the interests of such person in its capacity as Loan Trustee or Pass Through Trustee, as the case may be, in the transaction contemplated by the Participation Agreement and this Indenture. The Company shall arrange for appropriate certification that the requirements of this Section 11(a) have been met to be made to the Loan Trustee (and the Loan Trustee may furnish such certificates to each Loan Participant) as soon as practicable by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom any Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such person shall have entered into an agreement similar to that contained in this Section 11(a) whereby such person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a lease or contract with any Government in respect of the Aircraft or any Engine or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to the Loan Trustee, to

indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

(b) Insurance Against Loss or Damage to Aircraft. Subject to the rights of the Company to establish and maintain self-insurance with respect to loss or damage to aircraft (including the Aircraft) in the manner and to the extent specified in the next sentence, the Company shall maintain, or cause to be maintained, in effect with insurers of recognized responsibility, at no expense to the Loan Trustee, any Bank Lender or the Pass Through Trustee, all-risk aircraft hull insurance covering the Aircraft and all-risk coverage with respect to any Engines or parts while removed from the Aircraft (including, without limitation, war risk and allied perils insurance if and to the extent the same is maintained by the Company or any Permitted Air Carrier leasing the same with respect to other aircraft owned or operated by the Company or such Permitted Air Carrier, as the case may be, on the same routes) which is of the type and in substantially the amount usually carried by corporations engaged in the same or similar business and similarly situated with the Company; provided that (i) such insurance (including the permitted self-insurance) shall at all times while the Aircraft is subject to the Lien of this Indenture be for an amount not less than, at the date of determination thereof, the Outstanding principal amount of the Equipment Notes plus six months interest thereon and (ii) such insurance need not cover an Engine while attached to an airframe not owned, leased or operated by the Company. The Company may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(a) of this Article) with respect to all of the aircraft and engines in the Company's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (i) 50% of the largest replacement value of any single aircraft in the Company's fleet or (ii) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of the Company from such condition as is reflected in the consolidated financial statements of

the Company at December 31, 1982, then, upon not less than 30 days' written notice from the Loan Trustee to the Company, the Company will, until the Company's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as the Loan Trustee may require; provided, further, that a deductible per occurrence utilized to reduce handling, that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies carried in accordance with this Section 11(b) and any policies taken out in substitution or replacement for any such policies (A) shall provided that any loss up to the amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage constituting an Event of Loss with respect to the Aircraft, and any loss in excess of \$7,000,000, up to the amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage to the Aircraft (or Engines) not constituting an Event of Loss with respect to the Aircraft, shall be paid to the Loan Trustee as long as this Indenture shall not have been discharged pursuant to the terms and conditions thereof, and thereafter to the Company, unless, in each case, the insurer shall have received notice that an Indenture Event of Default exists, in which case all insurance proceeds up to an amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon shall be payable to the Loan Trustee, (B) shall provide that in respect of the respective interests of the Loan Trustee, any Bank Lender and of the Pass Through Trustee in such policies the insurance shall not be invalidated by any action or inaction of the Company and shall insure the Loan Trustee's, any Bank Lender's and the Pass Through Trustee's Interests, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any material change is made in the policy which affects the coverage certified hereunder to the Loan Trustee, any Bank Lender and the Pass Through Trustee, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Loan Trustee, any Bank Lender or the Pass Through Trustee, for 30 days (seven days, or such other period as may from time to time be customarily obtainable if the industry, in the case of any war risk and allied perils coverage) after receipt by

the Loan Trustee, such Bank Lender or the Pass Through Trustee, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee, any Bank Lender and the Pass Through Trustee with respect to the Interests as such in the Aircraft and (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee, such Bank Lender or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee, any Bank Lender or the Pass Through Trustee to the extent that the Company has waived its rights by its agreements to indemnify any such party pursuant to this indenture or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from rights retained by the Company shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by the Company. The Company shall arrange for appropriate certification that the requirements of this Section 11(b) have been met to be made promptly to the Loan Trustee (and the Loan Trustee shall furnish such certification to each Loan Participant) by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any person with whom any Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such person shall have entered into an agreement similar to that contained in Section 11(b) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a lease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to the Loan Trustee, to indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government in an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus six months interest thereon from time to time shall be considered ade-

quate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

As between the Loan Trustee and the Company, it is agreed that all insurance payments received under policies required to be maintained by the Company hereunder, exclusive of any payments received in excess of an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon from such policies, as the result of the occurrence of an Event of Loss with respect to the Airframe or an Engine will be applied as follows:

(x) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed on the Airframe that has been or is being replaced by the Company as contemplated by Section 10(a) of this Article, such payments shall be paid over to, or retained by, the Loan Trustee, and upon completion of such replacement be paid over to, or retained by, the Company;

(y) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed thereon that has not been and will not be replaced as contemplated by Section 10(a) of this Article, so much of such payments remaining after reimbursement of the Loan Trustee for costs and expenses as shall not exceed an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon required to be paid by the Company pursuant to Section 10(a) of this Article shall be applied in reduction of the Company's obligation to pay such amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, if not already paid by the Company, or, if already paid by the Company, shall be applied to reimburse the Company for its payment of such amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, the Company; and

(z) if such payments are received with respect to an Engine under the circumstances contemplated by Section 10(b) of this Article, so much of the such pay-

ments remaining after reimbursement of the Loan Trustee for costs and expenses shall be paid over to, or retained by, the Company; provided that the Company shall have fully performed the terms of Section 10(b) of this Article with respect to the Event of Loss for which such payments are made.

As between the Loan Trustee and the Company the insurance payment of any property damage loss in excess of an amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon shall be paid to the Company.

As between the Loan Trustee and the Company the insurance payment of any property damage loss not constituting an Event of Loss with respect to the Airframe or an Engine will be applied in payment (or to reimburse the Company) for repairs or for replacement property in accordance with the terms of Sections 7 and 8 of this Article, and any balance remaining after compliance with such Sections with respect to such loss shall be paid to the Company. Any amount referred to in the preceding sentence or in clause (x), (y) or (z) of the second preceding paragraph which is payable to the Company shall not be paid to the Company or, if it has been previously paid directly to the Company, shall not be retained by the Company, if at the time of such payment an Indenture Event of Default (or an Indenture Default that with lapse of time would constitute an Indenture Event of Default under Section 8.01(a), 8.01(f) 8.01(g) 8.01(h) 8.01(i) of this Indenture) shall have occurred and be continuing, but shall be paid to and held by the Loan Trustee, as security for the obligations of the Company under this Indenture, and at such time as there shall not be continuing any such Indenture Event of Default or event, such amount shall be paid to the Company, provided that is any such amount has been so held by the Loan Trustee as security for more than 90 days after an Indenture Event of Default shall have occurred and during which period (i) the Loan Trustee shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (ii) the Loan Trustee shall not have exercised any remedy available to it under Section 15 of this Article, then such amount shall be paid to the Company.

(c) Reports, Etc. Annually upon renewal of the Company's insurance coverage, the Company will furnish to the Loan Trustee (and the Loan Trustee shall furnish to each Loan Participant) a report signed by a firm of independent

aircraft insurance brokers appointed by the Company, stating the opinion of such firm that the insurance then carried and maintained on the Aircraft complies with the terms hereof; provided that all information contained in such report shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom any Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such Person shall have entered into an agreement similar to that contained in this Section 11(c) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. The Company will cause such firm to advise the Loan Trustee, any Bank Lender or the Pass Through Trustee, in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the Company of which such firm has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. The Company will also cause such firm to advise the Loan Trustee, any Bank Lender and the Pass Through Trustee, in writing as promptly as practicable after such firm acquires knowledge that an interruption or reduction of any insurance carried and maintained on the Aircraft pursuant to the provisions of this Section 11 will occur.

(d) Insurance for Own Account. Nothing in this Section 11 shall limit or prohibit the Loan Trustee or the Company from obtaining insurance for its own account with respect to the Airframe or any Engine and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto, provided that (i) no such insurance may be obtained which would limit or otherwise adversely affect the coverage or amounts payable under insurance required to be maintained pursuant to this Section 11, it being understood that all salvage rights to the Airframe or such Engine shall remain with the Company's insurers at all times, and (ii) the Loan Trustee may obtain hull insurance on the Aircraft only to the extent the procurement of such insurance does not have an adverse effect on the Company's ability or cost to obtain such insurance, except that the limitation in the foregoing clause (i) on the Loan Trustee's right to obtain liability insurance shall not apply during any period in which the Company is provid-

ing a Government indemnity in lieu of the liability insurance required by Section 11(a) of this Article and the limitations in clauses (i) and (ii) on the Loan Trustee's rights to obtain hull insurance shall not apply during any period in which the Company is providing a Government indemnity in lieu of the hull insurance required by Section 11(b) of this Article.

Section 12. Inspection. At all reasonable times so long as any Equipment Notes are outstanding, but upon at least 5 days' prior written notice to the Company, the Loan Trustee, the Initial Bank Lender, the Pass Through Trustee or their authorized representatives may at their own expense and risk (including without limitation, any risk of personal injury or death) conduct a visual walk-around inspection of the Aircraft and any Engine and may inspect the books and records of the Company relating thereto; provided that (a) such representative shall be fully insured to the reasonable satisfaction of the Company at no cost to the Company with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their accountants, agents and legal counsel and any Person with whom any such Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order or administrative agency or by any statute, rule, regulation or order of any governmental authority. Upon the Loan Trustee's request, the Company will notify the Loan Trustee of the next scheduled "heavy maintenance" visit to be conducted by the Company in respect of the Aircraft; provided that the Company shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified the Loan Trustee pursuant to this sentence, the Company hereby agreeing to use reasonable efforts to notify the Loan Trustee of

any such rescheduling or change. The Loan Trustee shall not have any duty to make such inspection and shall not incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of the Company's business, and the Company shall not be required to undertake or incur any additional liabilities in connection therewith.

Section 17. Further Assurances; Financial Information. Forthwith upon the execution and delivery of each Trust Agreement and Indenture Supplement, the Company will cause such Trust Agreement and Indenture Supplement to be duly filed and recorded in accordance with the Federal Aviation Act. In addition, the Company and the Loan Trustee will promptly and duly execute and deliver to the other party hereto such further documents and assurances and take such further action as such other party may from time to time reasonably request in order to effectively carry out the intent and purpose of this Indenture, including, without limitation, if requested by the Loan Trustee, the execution and delivery of supplements or amendments hereto, in recordable form, subjecting to this Indenture any Replacement Airframe or Replacement Engine and the recording or filing of counterparts hereof or thereof, in accordance with the laws of such jurisdictions as the Loan Trustee may from time to time deem advisable; provided that this sentence is not intended to impose upon the Company any additional liabilities not otherwise contemplated by this Indenture. The Company agrees to furnish the Loan Trustee (i) within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Company, a consolidated balance sheet of the Company and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income and cash flows for such period, (ii) within 120 days after the close of each fiscal year of the Company, a consolidated balance sheet of the Company and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income and cash flows for such fiscal year, as certified by independent public accountants, (iii) within 120 days after the close of each fiscal year of the Company, a certificate of the Company signed by a Responsible Officer of the Company and addressed to the Loan Trustee to the effect that the signer has reviewed the relevant terms of this Indenture and the Participation Agreement and has made, or caused to be made under his supervision, a review of the transactions and condition

of the Company during the accounting period covered by the financial statements referred to in clause (ii) above, and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Indenture Event of Default or which, after notice or lapse of time or both, would constitute an Indenture Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, and (iv) from time to time such other non-confidential information as the Loan Trustee may reasonably request.

Section 24. Maintenance of Certain Engines. Notwithstanding anything to the contrary contained herein, an aircraft engine which is not an Engine, but which is installed on the Airframe, shall be maintained in accordance with Section 7(a) of this Article.

Section 27. Company's Performance and Rights. Any obligation imposed on the Company pursuant to Sections 7, 8, 11, 12 and 24 of this Article shall require only that the Company perform or cause to be performed such obligation, even if stated herein as a direct obligation, and the performance of any such obligation by any permitted assignee, lessee or transferee under an assignment, lease or transfer agreement then in effect shall constitute performance by the Company and to the extent of such performance, discharge such obligation by the Company. Except as otherwise expressly provided herein, any right granted to the Company in this Indenture shall grant the Company the right to exercise such right or permit such right to be exercised by any such assignee, lessee or transferee; provided that no such assignee, lessee or transferee shall be permitted to exercise the self-insurance rights of the Company set forth in Section 11 of this Article. The inclusion of specific references to obligations or rights of any such assignee, lessee or transferee in certain provisions of this Indenture shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in respect of which specific reference to any such assignee, lessee or transferee has not been made in this Indenture.

Section 28. Statement of Intention. The Loan Trustee, the Company and the Owner Trustee acknowledge that the intent of the provisions contained in this Article 15

is, following the termination of the Lease pursuant to Section 9(e), 9(f) or 20(b) thereof, to provide for the Loan Trustee to have rights similar to those enjoyed by the Owner Trustee under the Lease and for the Company to have rights similar to those enjoyed by it under the Lease. The Loan Trustee and the Company hereby agree that this Article 15 shall be construed and interpreted in a manner consistent with the intent expressed in this Section 28.

Section 29. Amendment of Exhibit to the Indenture. (a) Each Pass Through Equipment Note issued after the Relevant Date shall be issued in substantially the form set forth in Exhibit A to this Indenture as originally executed, provided that the following legend shall be affixed to each such Pass Through Equipment Note:

"Pursuant to Section 7.03 of the Trust Indenture and Security Agreement, American Airlines, Inc. has assumed all of the obligations of the Owner Trustee under the Trust Indenture and Security Agreement and this Pass Through Equipment Note except such obligations as could necessarily be performed exclusively by an entity acting in the capacity of the Owner Trustee."

(b) Each Bank Equipment Note issued after the Relevant Date shall be issued in substantially the form set forth in Exhibit A-1 to this Indenture as originally executed, provided that the following legend shall be affixed to each such Bank Equipment Note:

"Pursuant to Section 7.03 of the Trust Indenture and Security Agreement, American Airlines, Inc. has assumed all of the obligations of the Owner Trustee under the Trust Indenture and Security Agreement and this Bank Equipment Note except such obligations as could necessarily be performed exclusively by an entity acting in the capacity of the Owner Trustee."

In lieu of issuing Equipment Notes with the appropriate legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Pass Through Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit DA to this Indenture and any Bank Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit DA-1 to this Indenture.

Section 30. General. Effective as of the Relevant Date the Company assumes on a full recourse basis all of the duties and obligations of the Owner Trustee under this Indenture and the Equipment Notes and shall be entitled to all the rights and benefits of the Owner Trustee hereunder and thereunder, in each case to the extent provided for in this Indenture, and the Owner Trustee is, effective upon the Relevant Date, released from all duties, obligations and rights under this Indenture and the Equipment Notes (other than any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Relevant Date or arising out of or based upon events occurring on or prior to the Relevant Date, which obligations and liabilities shall remain the responsibility of the Owner Trustee).

The Company confirms and ratifies the security interest which the Owner Trustee granted to the Loan Trustee pursuant to the Granting Clause of this Indenture in all of the Owner Trustee's right, title and interest in the Aircraft and its interest in the Purchase Agreement (to the extent assigned to the Owner Trustee pursuant to the Purchase Agreement Assignment) and the Company explicitly agrees that the Company is acquiring the Aircraft subject to such security interest, which shall remain in full force and effect until this Indenture is discharged in accordance with the terms hereof, and the Loan Trustee acknowledges that the Lease and the obligations of the Company hereunder as Company have been terminated, except as specifically provided for therein, and each of the Company and the Loan Trustee hereby agree that the Granting Clause hereof shall, subject always to the provisions of Section 28 of Article 15 hereof, be deemed to have been modified *mutatis mutandis*.

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All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

## LIST OF PERMITTED COUNTRIES

## ASIA/OCEANIA

Australia  
Japan  
New Zealand  
India

## EUROPE

Austria  
Germany  
Finland  
Spain (including Canary Islands)  
United Kingdom

## THE AMERICAS

Canada  
Mexico

Trust Indenture Exhibit D  
(Series AB)

Exhibit DA to Amended and  
Restated Trust Indenture  
and Security Agreement  
(AA 1995 PTC Series AB)

Form of Pass Through Equipment Notes  
(Installment Equipment Notes)\*

No. \_\_\_\_\_ \$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AB  
AMERICAN AIRLINES, INC.

Issued in connection with Aircraft N7375A

INTEREST RATE	MATURITY DATE
8.39%	(January 2, 2017) (----)*

AMERICAN AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns the principal sum of \_\_\_\_\_ DOLLARS (in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above)\* (on the Maturity Date specified above)\*\* and to pay interest (on the original principal amount hereof remaining unpaid from time to time)\* (thereon)\*\* at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment (in full)\* In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Pass Through Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut,

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\* Include for all non-Installment Pass Through Equipment Notes.

Trust Indenture Exhibit DA  
(Series AB)

National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate.

The interest (or Installment Payment Amount)\* so payable, and punctually paid or duly provided for, on or within 5 days after the applicable Interest Payment Date (or Installment Payment Date, as the case may be),\* will, as provided in the Indenture, be paid to the Person in whose name this Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on the Record Date for payment of such interest (or Installment Payment Amount),\* which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date (or Installment Payment Date, as the case may be).\* Any such interest (or Installment Payment Amount)\* not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Loan Participant on such Record Date (or to the Person in whose name this Pass Through Equipment Note is registered upon issuance) and may be paid to the Person in whose name the Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on a Special Record Date for the payment of such (Defaulted Installment or)\* Defaulted Interest to be fixed by the Loan Trustee, notice whereof shall be given to Loan Participants entitled thereto not less than 10 days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Equipment Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, Make-Whole Amount, if any, and interest on this Pass Through Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest (and Installment Payment Amounts (other than that payable on the Maturity Date hereof))\* may be made at the option of the Loan Trustee or the Paying Agent by check mailed

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\* Include for Installment Equipment Notes only.

to the address of the Loan Participant entitled thereto as such address shall appear on the Register.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03 of the Indenture.

This Pass Through Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Pass Through Equipment Note has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created thereby, to all of which terms and conditions therein each Loan Participant agrees by its acceptance of this Pass Through Equipment Note. Each holder hereof, by its acceptance of this Pass Through Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

(On each Installment Payment Date, the Loan Participant will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Pass Through Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
January 2, 2012	3.532850426%
January 2, 2013	15.910535011
January 2, 2014	17.604947685
January 2, 2015	20.866692083
January 2, 2016	22.616173169
July 2, 2016	0.643876816
January 2, 2017	18.824924810*

As more fully provided in the Indenture, the Pass Through Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail and under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, Make-Whole Amount, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default the Loan Trustee may exercise one or more of the remedies in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft and to sell or relet the Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Loan Participant to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Company and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Company deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and

\* Include for Installment Equipment Notes only.

principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Pass Through Equipment Note is transferable, and upon surrender of this Pass Through Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Loan Participant or its attorney duly authorized in writing, one or more new Pass Through Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

THIS PASS THROUGH EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS PASS THROUGH EQUIPMENT NOTE WILL BE MADE UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH ACT DOES NOT APPLY.

The Pass Through Equipment Notes are issuable only as registered Equipment Notes. The Pass Through Equipment Notes are issuable in denominations of \$1,000 and integral multiples thereof except that one such Pass Through Equipment Note of each maturity does not need to be an integral multiple of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Pass Through Equipment Notes are exchangeable for an equal aggregate principal amount of Pass Through Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Pass Through Equipment Notes to be exchanged or transferred, as requested by the Loan Participant surrendering the same, upon presentation thereof for such purpose at the principal

corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Pass Through Equipment Note, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Pass Through Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Pass Through Equipment Note and for all other purposes whatsoever whether or not this Pass Through Equipment Note be overdue, and neither the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS PASS THROUGH EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_  
(Title)

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Trust Indenture Exhibit DA  
(Series AB)

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

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Trust Indenture Exhibit DA  
(Series AB)

Exhibit DA-1 to Amended and  
Restated Trust Indenture  
And Security Agreement  
(AA 1995 PTC Series AB)

Form of Bank Equipment Notes

THIS BANK EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES OR SIMILAR LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE OR OTHERWISE DISPOSED OF EXCEPT WHILE SUCH REGISTRATION UNDER THE ACT AND SUCH SECURITIES AND SIMILAR LAWS IS IN EFFECT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THIS BANK EQUIPMENT NOTE IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 10 OF THE REFUNDING AGREEMENT REFERRED TO BELOW.

No. \_\_\_\_\_ \$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AB  
AMERICAN AIRLINES, INC.

Issued in connection with Aircraft N7375A

INTEREST RATE	MATURITY DATE
7.708%	July 2, 2010

AMERICAN AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to The Mitsubishi Trust and Banking Corporation, New York Branch, or registered assigns the principal sum of \_\_\_\_\_ DOLLARS in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the original principal amount hereof remaining unpaid from time to time at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for, semiannually, on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment in full. In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Bank Equipment Note shall be made

Trust Indenture Exhibit DA-1  
(Series AB)

on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate.

The interest or Installment Payment Amount so payable, and punctually paid or duly provided for the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Bank Equipment Note (or one or more predecessor Bank Equipment Notes) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so punctually paid or duly provided for shall be payable at the election of the Loan Trustee to the Bank Lender in whose name this Bank Equipment Note is registered in the Register on the date of such payment, all as more fully provided in the Indenture.

Payment of the principal of, Swap Breakage Loss, if any, and interest on this Bank Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Paying Agent appointed under the Indenture shall remit all such amounts so received by it via wire transfer of immediately available funds to such address and in such manner as each Bank Lender shall have designated in writing to the Paying Agent. The Paying Agent shall cause each payment to the Bank Lender hereof to be made by 4:00 p.m. on the day the Paying Agent receives such payment. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and by the time specified, the Paying Agent, in its individual capacity and not as Paying Agent, has agreed to compensate the Bank

Lender holding this Bank Equipment Note for loss of use of such funds.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to this Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name this Bank Equipment Note is registered in the Register under the Indenture, under this Bank Equipment Note, and under the Participation Agreement or Refunding Agreement, the Bank Lender holding this Bank Equipment Note shall surrender this Bank Equipment Note to the Loan Trustee for cancellation.

This Bank Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Bank Equipment Note has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions each Bank Lender agrees by its acceptance of this Bank Equipment Note. Each holder hereof, by its acceptance of this Bank Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

On each Installment Payment Date, the Bank Lender will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Bank Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
July 2, 1995	0.188190925%
January 2, 1996	1.999862773
July 2, 1996	2.076937455
January 2, 1997	0.434383936
January 2, 1998	6.163801942
January 2, 1999	6.639620948
January 2, 2000	7.152171136
January 2, 2001	7.704287970
January 2, 2002	6.122244534
January 2, 2003	5.151963120
January 2, 2004	5.549672519
January 2, 2005	5.978083367
January 2, 2006	5.788630649
January 2, 2007	5.212343330
January 2, 2008	5.464635565
January 2, 2009	7.119237503
July 2, 2009	0.175318734
January 2, 2010	8.079272263
July 2, 2010	12.999341330

The final installment of principal of this Bank Equipment Note shall under all circumstances equal the entire principal balance hereof outstanding on the Maturity Date.

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, upon such notice and under the circumstances set forth in the Indenture, at the Redemption Price set forth for such circumstances therein.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default the Loan Trustee may exercise one or more of the remedies in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft and to sell or relet the Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Bank Lender to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Company and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Company deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make- Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and in the Refunding Agreement and subject to certain limitations set forth herein and therein (including the limitations set forth in Section 10 of the Refunding Agreement), this Bank Equipment Note is transferable, and upon surrender of this Bank Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Bank Lender or his attorney duly authorized in writing, one or more new Bank Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Bank Equipment Notes are issuable only as registered Equipment Notes. The Bank Equipment Notes are issuable in denominations of not less than \$5,000,000 (or such lesser amount as shall constitute 100% of the aggregate unpaid principal amount of Bank Equipment Notes held by the Bank Lender holding such Bank Equipment Notes). As provided in the Indenture and subject to certain limitations set forth therein and in the Refunding Agreement, Bank Equipment Notes are exchangeable for an equal aggregate principal amount of Bank Equipment Notes of the same type, having the

same Maturity Date and of any authorized denominations or transferable upon surrender of the Bank Equipment Notes to be exchanged or transferred, as requested by the Bank Lender surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Bank Equipment Note, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Bank Lender in whose name this Bank Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bank Equipment Note and for all other purposes whatsoever whether or not this Bank Equipment Note be overdue, and neither the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS BANK EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_  
(Title)

7  
Trust Indenture Exhibit DA-1  
(Series AB)

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

8  
Trust Indenture Exhibit DA-1  
(Series AB)

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FORM OF  
AMENDED AND RESTATED TRUST INDENTURE

AND SECURITY AGREEMENT  
(AA 1995 PTC Series AC)

dated as of June 15, 1995

between

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity except as expressly set forth herein  
but solely as Owner Trustee

and

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, as Loan Trustee

One Boeing 767-323ER Aircraft

U.S. Registration No. N376AN  
Manufacturer's Serial No. 25445

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(Series AC)

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v  
(Series AC)

AMENDED AND RESTATED TRUST INDENTURE  
AND SECURITY AGREEMENT

This AMENDED AND RESTATED TRUST INDENTURE AND SECURITY AGREEMENT (AA 1995 PTC Series AC), dated as of June 15, 1995, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise expressly provided herein, but solely as Owner Trustee under the Trust Agreement (capitalized terms used herein having the respective meanings specified therefor in Article 1), and STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as Loan Trustee hereunder.

W I T N E S S E T H :

WHEREAS, the Owner Participant and the Owner Trustee in its individual capacity have entered into the Trust Agreement whereby, among other things, (i) the Owner Trustee has established a certain trust for the use and benefit of the Owner Participant subject, however, to the Indenture Estate created pursuant hereto for the use and benefit of, and with the priority of payment to, the holders of the Equipment Notes issued hereunder, and (ii) the Owner Trustee has been authorized and directed to execute and deliver this Agreement;

WHEREAS, the Owner Trustee and NationsBank of Georgia, National Association as Indenture Trustee (the "Indenture Trustee") entered into the Trust Indenture and Security Agreement (AA 1992 AF-3) dated as of August 1, 1992 (the "Original Indenture");

WHEREAS, the Owner Trustee and the Indenture Trustee entered into Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-3) (the "Supplement") dated August 11, 1992 to the Original Indenture;

WHEREAS, the Original Indenture and the Supplement were recorded with the Federal Aviation Administration on August 11, 1992 and were assigned Conveyance No. C26651;

WHEREAS, pursuant to Section 5 of the Refunding Agreement, the parties thereto have agreed that the Indenture Trustee under the Original Indenture shall resign and be replaced in such capacity by the Loan Trustee;

(Series AC)

WHEREAS, the parties desire by this Agreement, among other things, (i) to amend and restate in its entirety the Original Indenture, (ii) to provide for the issuance by the Owner Trustee of the Equipment Notes and (iii) to provide for the assignment, mortgage and pledge by the Owner Trustee to the Loan Trustee, as part of the Indenture Estate hereunder, among other things, of certain of the Owner Trustee's right, title and interest in and to the Aircraft and the Operative Documents and certain payments and other amounts received hereunder or thereunder in accordance with the terms hereof, as security for, among other things, the Owner Trustee's obligations to the Loan Trustee, for the ratable benefit and security of the Loan Participants; and

WHEREAS, all things necessary to make this Agreement the legal, valid and binding obligation of the Owner Trustee and the Loan Trustee, for the uses and purposes herein set forth, in accordance with its terms, have been done and performed and have happened;

#### GRANTING CLAUSE

NOW, THEREFORE, THIS TRUST INDENTURE AND SECURITY AGREEMENT WITNESSETH, that, to secure the prompt payment of the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, as the case may be, and interest on and all other amounts due with respect to, all Equipment Notes from time to time Outstanding and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions contained herein and in the other Operative Documents to which it is a party for the benefit of the Loan Participants, and the prompt payment of any amounts from time to time owing to the Loan Participants under the Participation Agreement and the Refunding Agreement by the Owner Trustee, the Owner Participant and the Lessee, and for the uses and purposes and subject to the terms and provisions hereof, and in consideration of the premises and of the covenants herein contained, and of the acceptance of the Equipment Notes by the Loan Participants, and of the sum of \$1 paid to the Owner Trustee by the Loan Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors and assigns, for the security and benefit of the Loan Participants from time to time, a security interest in and mortgage Lien on all estate, right,

title and interest of the Owner Trustee in, to and under the following described property, rights, interests and privileges (which collectively, including all property hereafter specifically subjected to the Lien of this Agreement by any instrument supplemental hereto, but excluding the Excepted Property, are herein called the "Indenture Estate"):

(1) the Boeing Company Model 767-323ER Aircraft with FAA Registration Number N376AN and Manufacturer's serial number 25445 (including the Airframe and the two General Electric CF6-80C2B6 with Manufacturer's serial numbers 695548 and 695538 (each such Engine having 750 or more rated take-off horsepower or the equivalent thereof) originally installed thereon), and all replacements thereof and substitutions therefor in which the Owner Trustee shall from time to time acquire an interest in accordance with the Lease, as more particularly described in the Trust Agreement and Indenture Supplement and the Lease Supplement executed and delivered with respect to the Aircraft or any such replacements thereof or substitutions therefor, as provided in this Agreement and the Lease;

(2) the Lease (including the Rent Schedule), each Lease Supplement and all Rent thereunder, including, without limitation, all amounts of Basic Rent, Supplemental Rent, and payments of any kind required to be made by the Company thereunder; the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment); and the Purchase Agreement Assignment; in each case including, without limitation, (x) all rights of the Owner Trustee to receive any payments or other amounts or to exercise any election or option or to make any decision or determination or to give or receive any notice, consent, waiver or approval or to take any other action under or in respect of any such document or to accept surrender or redelivery of the Aircraft or any part thereof, as well as all the rights, powers and remedies on the part of the Owner Trustee, whether acting under any such document or by statute or at law or in equity, or otherwise, arising out of any Lease Event of Default (except as otherwise provided for hereunder), and (y) any right to restitution from the Company or any other Person in respect of any determination of invalidity of any such document;

(3) all rents, issues, profits, revenues and other income of the property subjected or required to be subjected to the Lien of this Agreement;

(4) all requisition proceeds with respect to the Aircraft or any part thereof and all insurance proceeds with respect to the Aircraft or any part thereof, but excluding any insurance maintained by the Owner Trustee, the Owner Participant or the Company and not required under Section 11 of the Lease;

(5) all moneys and securities now or hereafter paid or deposited or required to be paid or deposited to or with the Loan Trustee by or for the account of the Owner Trustee pursuant to any term of any Operative Document and held or required to be held by the Loan Trustee hereunder;

(6) all rights of the Owner Trustee to amounts paid or payable by the Company to the Owner Trustee under the Participation Agreement and all rights of the Owner Trustee to enforce payment of any such amounts thereunder; and

(7) all proceeds of the foregoing (the Owner Trustee having delivered to the Loan Trustee the original executed Lease and Lease Supplement and executed counterparts of the Trust Agreement and the Purchase Agreement Assignment);

Notwithstanding the foregoing provisions:

(a) there shall be excluded from the Indenture Estate and from the security interest granted by this Agreement all Excepted Property;

(b) (i) whether or not a Lease Event of Default shall occur and be continuing, the Owner Trustee and the Owner Participant shall at all times retain the right, to the exclusion of the Loan Trustee, (A) to exercise any election or option or make any decision or determination, or to give or receive any notice, consent, waiver or approval, or to demand, collect, sue for or otherwise receive and enforce the payment of Excepted Property due and payable to it or to take any other action in respect of, but in each case only to the extent relating to, Excepted Property and to commence an action at law to obtain such Excepted Property, (B) to adjust Basic Rent and the percentages

relating to Special Purchase Price, Stipulated Loss Value and Termination Value as provided in Section 3(e) of the Lease or Section 18 of the Participation Agreement, (C) to retain the rights of the "Lessor" with respect to solicitations of bids, and the election to retain or sell the Aircraft pursuant to Section 9 of the Lease, (D) to retain the right of the "Lessor" to determine the fair market rental value or fair market sales value pursuant to Section 9(c) or Section 20 of the Lease, (E) to retain all rights with respect to insurance maintained for its own account in conformity with Section 11(d) of the Lease, and (F) to exercise, to the extent necessary to enable it to exercise its rights under Section 8.03(e) hereof, the rights of the "Lessor" under Section 23 of the Lease.

(ii) whether or not a Lease Event of Default or an Indenture Event of Default shall occur and be continuing, the Owner Trustee and the Loan Trustee shall each retain the right, separately but not to the exclusion of the other, to receive from the Company all notices, certificates, reports, filings, Opinions of Counsel, copies of all documents and all information which the Company is permitted or required to give or furnish to the "Lessor" or to the "Owner Trustee" pursuant to any Operative Document, to consent to additions to the list of countries on Exhibit B to the Lease, to give any notice of default under Section 14 of the Lease and to declare the Lease in default in respect thereof, to cause the Company to take any action and execute and deliver such documents, financial information and assurances as the "Lessor" may from time to time reasonably request pursuant to Section 17 of the Lease and to exercise inspection rights pursuant to Section 12 of the Lease;

(iii) so long as no Indenture Event of Default shall have occurred and be continuing (but subject to the provisions of Section 11.06), the Owner Trustee shall retain the right, to the exclusion of the Loan Trustee, to exercise all other rights of the "Lessor" under the Lease including, without limitation, (1) the right to approve as satisfactory any accountants, engineers or counsel to render services for or issue opinions to the Owner Trustee pursuant to express provisions of the Operative Documents and (2) the right to consent to reregistration of the Aircraft pursuant to Section 9(m) of the Participation Agreement; provided that the foregoing shall not limit (A) any rights sep-

arately and expressly granted the Loan Trustee or any Loan Participant under the Operative Documents or (B) the right of the Loan Trustee to receive any funds to be delivered to the "Lessor" under the Lease (except funds which constitute or are delivered with respect to Excepted Property) and under the Purchase Agreement;

(c) the leasehold interest granted to the Company under the Lease shall not be subject to the security interest granted by this Agreement, and nothing in this Agreement shall affect the rights of the Company under the Lease so long as no Lease Event of Default has occurred and is continuing; and

(d) as between the Owner Trustee and the Loan Trustee, nothing contained in this Granting Clause shall prevent the Owner Trustee or the Owner Participant from seeking specific performance of the covenants of the Company under the Lease relating to the protection, insurance, maintenance, possession and use of the Aircraft, provided such action shall not interfere with the exercise by the Loan Trustee of its remedies under Article 8 hereof or Section 15 of the Lease, or from maintaining separate insurance with respect to the Aircraft to the extent permitted by Section 11 of the Lease.

#### HABENDUM CLAUSE

To HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, its successors and assigns, in trust for the benefit and security of the Loan Participants from time to time, without any priority of any one Equipment Note over any other, and for the uses and purposes and subject to the terms and provisions set forth in this Agreement.

The Owner Trustee agrees that this Agreement is intended to and shall create and grant to the Loan Trustee a security interest in the Aircraft, which security interest shall attach on and as of the Delivery Date. The security interest created by this Agreement and granted to the Loan Trustee hereunder in the Indenture Estate other than in the Aircraft shall attach upon the delivery hereof.

It is expressly agreed that, anything herein contained to the contrary notwithstanding, the Owner Trustee shall remain liable under each of the Operative Documents to which it is a party to perform all of the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and the Loan Trustee and the Loan Participants shall have no obligation or liability under any of the Operative Documents to which the Owner Trustee is a party by reason of or arising out of the assignment hereunder, nor shall the Loan Trustee (except as to the Loan Trustee, if the Loan Trustee shall have become the "Lessor" under the Lease) be required or obligated in any manner to perform or fulfill any obligations of the Owner Trustee under or pursuant to any of the Operative Documents to which the Owner Trustee is a party or, except as herein or therein expressly provided, to make any payment, or to make any inquiry as to the nature or sufficiency of any payment received by it, or present or file any claim, or take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

Subject to the terms and conditions hereof, the Owner Trustee does hereby constitute the Loan Trustee the true and lawful attorney of the Owner Trustee, irrevocably, with full power (in the name of the Owner Trustee or otherwise) to ask, require, demand, receive, compound and give acquittance for any and all moneys and claims for moneys due and to become due to the Owner Trustee (other than Excepted Property) under or arising out of the Lease (subject to the provisions of Section 11.06(b)(1)), the Purchase Agreement and the Purchase Agreement Assignment, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Loan Trustee may deem to be necessary or advisable in the premises. The Owner Trustee has directed the Company to make all payments of Rent (other than Excepted Property) payable to the Owner Trustee by the Company and all other amounts which are required to be paid to or deposited with the Owner Trustee pursuant to the Lease directly to the Loan Trustee at such address as the Loan Trustee shall specify, for application as provided in this Agreement. The Owner Trustee agrees that promptly on receipt thereof, it will transfer to the Loan Trustee any and all moneys from time to time received by it constituting part of the Indenture Estate, for distribution by the Loan Trustee pursuant to this Agreement, except that the Owner Trustee shall accept for distribution pursuant to the Trust Agreement any amounts distributed to it by the Loan Trustee

as expressly provided in this Agreement and any Excepted Property.

The Owner Trustee agrees that at any time and from time to time, upon the written request of the Loan Trustee, the Owner Trustee will promptly and duly execute and deliver or cause to be duly executed and delivered to the Loan Trustee any and all such further instruments and documents as the Loan Trustee may reasonably deem desirable in obtaining the full benefits of the mortgage and security interest granted hereby and of the rights and powers herein granted.

The Owner Trustee does hereby warrant and represent that it has not mortgaged, assigned or pledged, and hereby covenants that it will not mortgage, assign or pledge, so long as the Lien of this Agreement shall or is intended to remain in effect, any of its right, title or interest subject to the mortgage and security interest hereby created, to anyone other than the Loan Trustee, and that it will not (other than in respect of Excepted Property), except as provided in or permitted by this Agreement, accept any payment from the Company, enter into an agreement amending or supplementing any of the Operative Documents to which it is a party, execute any waiver or modification of, or consent under the terms of any of the Operative Documents to which it is a party, settle or compromise any claim against the Company arising under any of the Operative Documents, or submit or consent to the submission of any dispute, difference or other matter arising under or in respect of any of the Operative Documents to which it is a party to arbitration thereunder.

IT IS HEREBY COVENANTED AND AGREED by and among the parties hereto as follows:

#### ARTICLE 1

##### DEFINITIONS

Section 1.01. Definitions. (a) For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(1) the terms defined in this Article 1 have the meanings assigned to them in this Article 1, and include the plural as well as the singular;

(2) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles;

(3) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; and

(4) all references in this Agreement to Articles, Sections and Exhibits refer to Articles, Sections and Exhibits of this Agreement.

(b) For all purposes of this Agreement, the following capitalized terms have the following respective meanings:

"Affiliate" has the meaning specified therefor in the Lease.

"Agent" means any Paying Agent or Registrar.

"Aircraft" has the meaning specified therefor in the Lease.

"Airframe" has the meaning specified therefor in the Lease.

"Bank Equipment Note" means any Equipment Note issued hereunder in substantially the form of Exhibit A-1 hereto as such form may be varied pursuant to the terms hereof, and includes any such Equipment Note issued hereunder in exchange for or replacement of any thereof or upon a reissuance after an assumption by the Company in accordance with Section 7.03.

"Bank Lender" means (i) the Initial Bank Lender so long as a Bank Equipment Note is registered in its name in the Register, and (ii) each other Person in whose name a Bank Equipment Note is registered in the Register.

"Bankruptcy Code" means the United States Bankruptcy Code of 1978, 11 U.S.C. Sections 101-1330, as amended.

"Basic Rent" has the meaning specified therefor in the Lease.

"Business Day" has the meaning specified therefor in the Lease.

"Company" means American Airlines, Inc., a Delaware corporation, and, subject to the provisions hereof and of the Participation Agreement, its permitted successors and assigns.

"Company Request" means a written request of the Company executed on its behalf by a Responsible Company Officer.

"Co-Registrar" has the meaning specified therefor in Section 2.03.

"Debt" means any liability for borrowed money, or any liability for the payment of money in connection with any letter of credit transaction, or other liabilities evidenced or to be evidenced by bonds, debentures, notes or other similar instruments.

"Defaulted Installment" has the meaning specified therefor in Section 2.08.

"Defaulted Interest" has the meaning specified therefor in Section 2.08.

"Delivery Date" has the meaning specified therefor in the Lease.

"Engine" has the meaning specified therefor in the Lease.

"Equipment Note" means any Bank Equipment Note or Pass Through Equipment Note.

"Event of Loss" has the meaning specified therefor in the Lease.

"Excepted Property" means (i) indemnity or other payments paid or payable by the Company to or in respect of the Owner Participant or the Owner Trustee in its individual capacity or any member or their respective Related Indemnitee Groups pursuant to the Participation Agreement or any corresponding payment of Supplemental Rent under the Lease, (ii) proceeds of public liability insurance (or government indemnities in lieu thereof) in respect of the Aircraft paid or payable as a result of insurance claims or amounts in respect of such indemnities paid or payable to or for the benefit of, or losses suffered by, the Owner Trustee or the Loan Trustee in their respective individual capacities or the Owner Participant or by any affiliated or otherwise

related additional insureds or loss payees (collectively, the "Related Insured Parties"), (iii) proceeds of insurance maintained in conformity with Section 11(d) of the Lease by the Owner Participant or any Affiliate thereof (whether directly or through the Owner Trustee), (iv) payments of Supplemental Rent or other payments by the Company payable under the Tax Indemnity Agreement, (v) payments of Supplemental Rent by the Lessee with respect to the foregoing, (vi) fees payable to the Owner Trustee pursuant to Section 7(b) of the Participation Agreement, (vii) any right to restitution from the Company, as lessee under the Lease, in respect of any determination of the invalidity of any Excepted Property, (viii) the respective rights of the Owner Trustee or the Loan Trustee in their respective individual capacities or the Owner Participant (or of any member of their Related Indemnitee Groups or any Related Insured Party) to the proceeds of the foregoing and (ix) any right to demand, collect or otherwise receive and enforce the payment of any amount described in clauses (i) through (viii) above and any and all interest payable in respect thereof. Excepted Property shall not include amounts paid by the Lessee to the Owner Trustee pursuant to Sections 7(b) and 7(c) of the Participation Agreement and payable by the Owner Trustee to the Loan Participants pursuant to Section 3.06(b).

"Federal Aviation Act" has the meaning specified therefor in the Lease.

"Indenture Default" means any event that is, or after notice or passage of time, or both, would be, an Indenture Event of Default.

"Indenture Estate" has the meaning specified therefor in the Granting Clause hereof.

"Indenture Event of Default" has the meaning specified therefor in Article 8.

"Independent" when used with respect to an engineer, appraiser or other expert, means an engineer, appraiser or other expert who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Company or any Affiliate of the Company, and (iii) is not connected with the Company or any Affiliate of the Company as an officer, employee, promoter, trustee, partner, director or Person performing similar functions.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by the Company on behalf of the Owner Trustee; provided that if the Loan Trustee shall not have received written notice of such an appointment at least 10 days prior to the relevant Redemption Date or Lease Termination Date or if a Lease Event of Default shall have occurred and be continuing, "Independent Investment Banker" shall mean such an institution appointed by the Loan Trustee, with the approval of the Owner Participant (which approval shall not be unreasonably withheld or delayed).

"Initial Bank Lender" means The Mitsubishi Trust and Banking Corporation, New York Branch.

"Installment Equipment Note" shall mean a Pass Through Equipment Note identified in Exhibit B-1 hereto.

"Installment Payment Amount" means, with respect to each Installment Equipment Note and Bank Equipment Note, the amount of the installment payment of principal due and payable on each Installment Payment Date other than the Maturity Date thereof, which amount shall be equal to the product of the original principal amount of such Installment Equipment Note or Bank Equipment Note, as the case may be, and the Installment Payment Percentage for such Installment Payment Date, as set forth in Exhibit B-1 hereto.

"Installment Payment Date" means each date on which an installment payment of principal is due and payable on any Installment Equipment Note or Bank Equipment Note, as set forth in Exhibit B-1 hereto.

"Installment Payment Percentage" means, with respect to each Installment Payment Date, the percentage set forth opposite such Installment Payment Date in Exhibit B-1 hereto.

"Interest Payment Date" means each January 2 and July 2, commencing July 2, 1995.

"Lease" means the Lease Agreement dated as of August 1, 1992 (AA 1992 AF-3) (redesignated AA 1995 PTC Series AC), which Lease, together with Lease Supplement No. 1 thereto dated August 11, 1992, was recorded by the Federal Aviation Administration on August 11, 1992 and assigned Conveyance No. C26650, as amended as of the date hereof, between the Owner Trustee, as lessor, and the Company, as lessee, as such Lease Agreement may from time to time be

supplemented, amended or modified in accordance with the terms thereof and this Agreement. The term "Lease" shall also include each Lease Supplement entered into pursuant to the terms of the Lease and the Rent Schedule.

"Lease Event of Default" has the meaning specified for the term "Event of Default" in the Lease.

"Lease Loss Payment Date" has the meaning specified for the term "Loss Payment Date" in the Lease.

"Lease Supplement" has the meaning specified therefor in the Lease.

"Lease Termination Date" has the meaning specified for the term "Termination Date" in the Lease.

"Lessor's Liens" has the meaning specified therefor in the Lease.

"Lien" means any mortgage, pledge, Lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Loan Participant" means and includes each registered holder from time to time of an Equipment Note issued hereunder, including each Bank Lender and, so long as it holds any Equipment Notes issued hereunder, the Pass Through Trustee under the Pass Through Trust Agreement.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association, and each other Person which may from time to time be acting as Loan Trustee in accordance with the provisions of this Agreement.

"Make-Whole Amount" means, with respect to the principal amount of any Pass Through Equipment Note to be redeemed or purchased on any Redemption Date, the amount which the Independent Investment Banker determines as of the fourth Business Day prior to such Redemption Date to equal the excess, if any, of (i) the sum of the present values of all the remaining scheduled payments of principal and interest from the Redemption Date to maturity of such Pass Through Equipment Note, discounted semi-annually on each Interest Payment Date at a rate equal to the Treasury Rate, based on a 360-day year of twelve 30-day months, over (ii) the aggregate unpaid principal amount of such Pass Through Equipment Note plus accrued but unpaid interest on such Pass Through Equipment Note (but not any accrued interest in

default). Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Make-Whole Amount shall be payable solely with respect to the Pass Through Equipment Notes, and Make-Whole Amount shall not be calculated or payable with respect to the Bank Equipment Notes.

"Maturity" means, with respect to the Equipment Notes, all of the Equipment Notes maturing on a particular Maturity Date.

"Maturity Date" means each of the dates specified in Exhibit B hereto as a maturity date of Equipment Notes.

"Officers' Certificate" means a certificate signed, in the case of the Company, by (i) the Chairman of the Board of Directors, the President, any Executive Vice President, or any Senior Vice President of the Company, signing alone, or (ii) any Vice President signing together with the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company or, in the case of the Owner Trustee, a Responsible Officer of the Owner Trustee.

"Operative Documents" means this Agreement, the Participation Agreement, the Lease (including the Rent Schedule), each Lease Supplement, the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment), the Purchase Agreement Assignment, the Equipment Notes, the Trust Agreement, the Trust Agreement and Indenture Supplement and the Refunding Agreement.

"Opinion of Counsel" means a written opinion of legal counsel, who in the case of counsel for the Company may be (i) the senior-ranking attorney employed by the Company, (ii) Debevoise & Plimpton or (iii) other counsel designated by the Company and who shall be satisfactory to the Loan Trustee or, in the case of legal counsel for the Owner Trustee, may be (x) Potter Anderson & Corroon or (y) other counsel designated by the Owner Trustee and who shall be satisfactory to the Loan Trustee.

"Outstanding" when used with respect to Equipment Notes, means, as of the date of determination, all Equipment Notes theretofore executed and delivered under this Agreement other than:

(i) Equipment Notes theretofore cancelled by the Loan Trustee or delivered to the Loan Trustee for cancellation pursuant to Section 2.07 or otherwise;

(ii) Equipment Notes for whose payment (but only to the extent of such payment) or redemption money in the necessary amount has been theretofore deposited with the Loan Trustee in trust for the Loan Participants with respect to such Equipment Notes; provided that if such Equipment Notes are to be redeemed, notice of such redemption has been duly given pursuant to this Agreement or provision therefor satisfactory to the Loan Trustee has been made; and

(iii) Equipment Notes in exchange for or in lieu of which other Equipment Notes have been executed and delivered pursuant to this Agreement;

provided, however, that in determining whether the Loan Participants of the requisite aggregate principal amount of Equipment Notes Outstanding have given any request, demand, authorization, declaration, direction, notice, consent or waiver hereunder, Equipment Notes owned by or pledged to the Company or any Affiliate of the Company or the Owner Trustee or the Owner Participant or any Affiliate thereof shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Loan Trustee shall be protected in relying upon any such request, demand, authorization, declaration, direction, notice, consent or waiver, only Equipment Notes which the Loan Trustee knows to be so owned or so pledged shall be disregarded, and except if all Equipment Notes are so owned or pledged. Equipment Notes owned by the Company, or any Affiliate of the Company, the Owner Trustee or the Owner Participant or any Affiliate thereof which have been pledged in good faith may be regarded as Outstanding if the Company, or Owner Trustee or the Owner Participant, as the case may be, establishes to the satisfaction of the Loan Trustee the pledgee's right to act with respect to such Equipment Notes and that the pledgee is not the Company, or any Affiliate of the Company, the Owner Trustee or the Owner Participant or any Affiliate thereof.

"Owner Participant" means AT&T Credit Holdings, Inc., a Delaware corporation, and any other Person or Persons to which the Owner Participant transfers its right, title and interest in and to the Trust Agreement, the Trust Estate and the Participation Agreement, in accordance with Article VIII of the Trust Agreement and Section 16(c) of the

Participation Agreement, and their respective permitted successors and assigns.

"Owner Participant Guarantor" means any provider of any Owner Participant Guaranty.

"Owner Participant Guaranty" means any guaranty delivered pursuant to Section 16(c)(ii) of the Participation Agreement.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity, but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Operative Documents.

"Participation Agreement" has the meaning specified therefor in the Lease.

"Parts" has the meaning specified therefor in the Lease.

"Pass Through Certificate" means any Pass Through Certificate issued pursuant to the Pass Through Trust Agreement.

"Pass Through Equipment Note" means any Equipment Note issued hereunder substantially in the form of Exhibit A hereto as such form may be varied pursuant to the terms hereof, and includes any such Equipment Note issued hereunder in exchange for or replacement of any thereof or upon a reissuance after an assumption by the Company in accordance with Section 7.03.

"Pass Through Trust" means each Pass Through Trust created pursuant to the Pass Through Trust Agreement and a Pass Through Trust Supplement.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement amended and restated as of February 1, 1992 between the Company and the Pass Through Trustee, together with each separate supplement thereto pursuant to which the Pass Through Trustee holds any Equipment Notes, as the same may from time to time be supplemented and amended.

"Pass Through Trust Supplement" means each supplement to the Pass Through Trust Agreement, dated as of June 15, 1995, each between the Company and the Pass Through Trustee, pursuant to which the Pass Through Trustee holds any Pass Through Equipment Notes, as each may be amended, supplemented or otherwise modified from time to time.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, in its capacity as trustee under the Pass Through Trust Agreement, and such other person that may from time to time be acting as successor trustee under the Pass Through Trust Agreement.

"Past Due Rate" means, (i) for any Pass Through Equipment Note, the rate of interest borne by such Pass Through Equipment Note and (ii) for any Bank Equipment Note, the lesser of (x) the interest rate borne by such Bank Equipment Note plus 1% and (y) the maximum rate permitted by law.

"Paying Agent" means any person acting as Paying Agent hereunder pursuant to Section 2.03.

"Permitted Investment" means each of (i) direct obligations of the United States of America and agencies thereof; (ii) obligations fully guaranteed by the United States of America; (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated under the laws of the United States of America or any state of the United States of America having combined capital and surplus and retained earnings of at least \$500,000,000 (including the Owner Trustee in its individual capacity or the Loan Trustee in its individual capacity if such conditions are met); (iv) bearer note deposits with, or certificates of deposit issued by, or promissory notes of, any subsidiary incorporated under the laws of Canada (or any province thereof) of any bank, trust company or national banking association described in clause (iii) or (viii); provided, however, that such bearer note deposits, certificates or promissory notes are guaranteed by such bank, trust company or national banking association; (v) commercial paper of companies having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally-recognized rating organization in the United States of America) equal to either of the two highest ratings assigned by such organization and not on such organization's "watch list" for

possible downgrading below such rating; (vi) U.S. dollar-denominated certificates of deposit issued by, or time deposits with, the European subsidiaries of (a) any bank, trust company or national banking association described in clause (iii) or (b) any other bank described in clause (viii); provided, however, that such certificates are guaranteed by such bank, trust company or national banking association; (vii) U.S.-issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by, any bank having combined capital and surplus and retained earnings of at least \$500,000,000 and headquartered in Canada, Japan, the United Kingdom, France, the Federal Republic of Germany, Switzerland or The Netherlands; (viii) U.S. dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earnings of at least \$500,000,000; (ix) Canadian Treasury Bills fully hedged to U.S. dollars; (x) repurchase agreements with any financial institution having combined capital and surplus and retained earnings of at least \$100,000,000 (including the Owner Trustee in its individual capacity or the Loan Trustee in its individual capacity if such conditions are met) collateralized by transfer of possession of any of the obligations described in clauses (i) through (ix) above; or (xi) bonds or other debt instruments of any company, if such bonds or other debt instruments, at the time of their purchase, are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at such time, by any nationally recognized rating organization in the United States of America) and not on such organization's "watch list" for possible downgrading below such rating; provided that no investment shall be included within the definition of the term "Permitted Investment" unless (1) in the case of any investment referred to in clause (iii), (vii) or (viii), the bank, trust company or national banking association issuing such investment shall then have its long-term unsecured debt obligations rated one of the two highest ratings obtainable from either Standard and Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such debt obligations at any time, by any nationally recognized rating organization in the United States) (or, in the case of any foreign bank, the equivalent such rating) and not on such organization's "watch list" for possible downgrading below such rating, (2) in the case of any investment referred to in clause (v), the final maturity of such investment is equal to 180 days or less from the date of purchase thereof, and (3) in the case of any investment referred to in clause

(iii), (iv), (vi), (vii), (viii), (x) or (xi) the final maturity or date of return of such investment is equal to one year or less from the date of purchase thereof.

"Permitted Liens" has the meaning specified therefor in the Lease.

"Person" has the meaning specified therefor in the Lease.

"Premium Termination Date" means, for any Pass Through Equipment Note, the date specified in Exhibit B hereto as the premium termination date for such Pass Through Equipment Note.

"Purchase Agreement" has the meaning specified therefor in the Lease.

"Purchase Agreement Assignment" has the meaning specified therefor in the Lease.

"Record Date" for the interest or Installment Payment Amount payable on any Interest Payment Date or Installment Payment Date, as the case may be, means the calendar day (whether or not a Business Day) which is 15 calendar days prior to the related Interest Payment Date or the related Installment Payment Date.

"Redemption Date" means the date on which the Equipment Notes are to be redeemed or purchased in lieu of redemption pursuant to Section 6.01 or Section 6.02.

"Redemption Price" means the price at which the Equipment Notes are to be redeemed or purchased in lieu of redemption, determined as of the applicable Redemption Date, pursuant to Section 6.01 or 6.02, as the case may be.

"Refunding Agreement" has the meaning specified therefor in the Lease.

"Refunding Date" means the date on which the Equipment Notes are issued pursuant to Section 2.10.

"Register" has the meaning specified therefor in Section 2.03.

"Registrar" means any person acting as Registrar hereunder pursuant to Section 2.03.

"Related Indemnitee Groups" has the meaning specified therefor in Section 7(b) of the Participation Agreement.

"Rent" has the meaning specified therefor in the Lease.

"Rent Schedule" has the meaning specified therefor in the Lease.

"Replacement Airframe" has the meaning specified therefor in the Lease.

"Replacement Engine" has the meaning specified therefor in the Lease.

"Responsible Company Officer" has the meaning specified for the term "Responsible Officer" in the Lease.

"Responsible Officer", with respect to the Owner Trustee or the Loan Trustee, means any officer in its respective Corporate Trust Department or any officer customarily performing functions similar to those performed by the persons who at the time shall be such respective officers or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"SEC" means the Securities and Exchange Commission.

"Special Purchase Option Date" has the meaning specified therefor in the Lease.

"Special Purchase Price" has the meaning specified therefor in the Lease.

"Special Record Date" for Defaulted Interest or a Defaulted Installment, as the case may be, shall be the date set by the Loan Trustee in accordance with Section 2.08 of the proposed payment of the Defaulted Interest or Defaulted Installment.

"Special Termination Date" has the meaning specified therefor in the Lease.

"Stipulated Loss Value" has the meaning specified therefor in the Lease.

"Supplemental Rent" has the meaning specified therefor in the Lease.

"Swap Breakage Loss" has the meaning specified therefor in the Refunding Agreement. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Swap Breakage Loss shall be payable solely with respect to the Bank Equipment Notes, and Swap Breakage Loss shall not be calculated or payable with respect to the Pass Through Equipment Notes.

"Tax Indemnity Agreement" has the meaning specified therefor in the Lease.

"Termination Value" has the meaning specified therefor in the Lease.

"Treasury Rate" means, with respect to each Pass Through Equipment Note to be redeemed or purchased, a per annum rate (expressed as a semiannual equivalent and as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield), determined to be the per annum rate equal to the semiannual yield to maturity of United States Treasury securities maturing on the Average Life Date of such Pass Through Equipment Note, as determined by interpolation between the most recent weekly average yields to maturity for two series of United States Treasury securities, (A) one maturing as close as possible to, but earlier than, the Average Life Date of such Pass Through Equipment Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such Pass Through Equipment Note, in each case as published in the most recent H.15(519) (or, if a weekly average yield to maturity of United States Treasury securities maturing on the Average Life Date of such Pass Through Equipment Note is reported in the most recent H.15(519), as published in H.15(519)). H.15(519) means "Statistical Release H.15(519), Selected Interest Rates," or any successor publication, published by the Board of Governors of the Federal Reserve System. The most recent H.15(519) means the latest H.15(519) which is published prior to the close of business on the fourth Business Day preceding the Redemption Date. For purposes hereof, "Average Life Date" means, with respect to each Pass Through Equipment Note to be redeemed, the date which follows the Redemption Date by a period equal to the Remaining Weighted Average Life of such Pass Through Equipment Note. For purposes hereof, "Remaining Weighted Average Life" means, for any Pass Through Equipment Note, as of any date of determination, the number of days equal to the

quotient obtained by dividing (a) the sum of the products obtained by multiplying (i) the amount of each then remaining installment of principal, including the payment due on the Maturity Date of such Pass Through Equipment Note by (ii) the number of days from and including the Redemption Date to but excluding the scheduled payment date of such principal payment; by (b) the then unpaid principal amount of such Pass Through Equipment Note.

"Trust Agreement" has the meaning specified therefor in the Lease.

"Trust Agreement and Indenture Supplement" means any supplement to the Trust Agreement and this Agreement in the form of Exhibit C hereto.

"Trust Estate" has the meaning specified therefor in the Trust Agreement.

"Trust Indenture and Security Agreement" or "this Agreement" or "this Indenture" means this Trust Indenture and Security Agreement (AA 1995 PTC Series AC), as the same may from time to time be supplemented, amended or modified.

"Trustee's Liens" has the meaning specified therefor in Section 9.09.

"U.S. Government Obligations" means securities that are direct obligations of the United States of America for the payment of which its full faith and credit is pledged which are not callable or redeemable, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt so long as such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

ARTICLE 2  
THE EQUIPMENT NOTES

Section 2.01. Equipment Notes; Title, Dating and Terms. (a)

The Equipment Notes issued hereunder shall be designated as 1995 Equipment Notes, Series AC. The Pass Through Equipment Notes shall be substantially in the form set forth in Exhibit A hereto, and the Bank Equipment Notes shall be substantially in the form of Exhibit A-1 hereto. The Equipment Notes shall be dated the date of issuance thereof, shall be issued in the maturities and principal amounts and shall bear interest as specified in Exhibit B hereto. The principal of each Equipment Note, other than the Installment Equipment Notes and Bank Equipment Notes, shall be payable in full on the Maturity Date for such Equipment Note. The principal of each Installment Equipment Note and Bank Equipment Note shall be payable in installments, on each Installment Payment Date and the related Maturity Date, in amounts equal to the relevant Installment Payment Amount for such Installment Payment Date. In the event any amount of interest or Installment Payment amount payable under any Equipment Note is not paid when due, to the extent permitted by applicable law interest shall accrue on such amounts at the Past Due Rate applicable to the Equipment Note for which such amounts are due. Each Equipment Note shall be issued on original issuance to the Pass Through Trustee under the Pass Through Trust Agreement or to the Initial Bank Lender as set forth in Exhibit B-2 hereto.

(b) The Equipment Notes shall be issued in registered form only. The Pass Through Equipment Notes shall be issued in denominations of \$1,000 and integral multiples thereof except that one such Equipment Note of each maturity may be in an amount that is not an integral multiple of \$1,000. The Bank Equipment Notes shall be issued in denominations of not less than \$5,000,000. The Equipment Notes are not redeemable prior to their respective Maturity Dates except as provided in this Agreement.

All computations of interest accruing on any Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months.

The principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes shall be payable in immediately available funds at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for

such purpose pursuant to Section 2.03 or as otherwise directed in the manner herein provided.

All payments in respect of the Equipment Notes shall be made in United States dollars.

Section 2.02. Execution and Authentication. (a) Equipment Notes shall be executed on behalf of the Owner Trustee by the manual or facsimile signature of its President, a senior vice president, a vice president, an assistant vice president, its treasurer, its secretary, an assistant secretary, an assistant treasurer or other authorized officer.

(b) If any officer of the Owner Trustee executing the Equipment Notes or attesting to the Owner Trustee's seal no longer holds that office at the time the Equipment Note is executed on behalf of the Owner Trustee, the Equipment Note shall be valid nevertheless.

(c) At any time and from time to time after the execution of the Equipment Notes, the Owner Trustee may deliver such Equipment Notes to the Loan Trustee for authentication and, subject to the provisions of Section 2.10, the Loan Trustee shall authenticate the Equipment Notes by manual signature upon written orders of the Owner Trustee. Equipment Notes shall be authenticated on behalf of the Loan Trustee by any authorized officer or signatory of the Loan Trustee.

(d) An Equipment Note shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Owner Trustee by the manual or facsimile signature of the officer of the Owner Trustee specified in Section 2.02(a) and until authenticated on behalf of the Loan Trustee by the manual signature of the authorized officer or signatory of the Loan Trustee as specified in Section 2.02(c). Such signatures shall be conclusive evidence that such Equipment Note has been duly executed, authenticated and issued under this Agreement.

Section 2.3. Registrar and Paying Agent. The Loan Trustee shall maintain an office or agency where the Equipment Notes may be presented for registration of transfer or for exchange (the "Registrar") and an office or agency where (subject to Sections 2.04 and 2.08) the Equipment Notes may be presented for payment or for exchange (the "Paying Agent"). The Registrar shall keep a register (the

"Register") with respect to the Equipment Notes and their transfer and exchange and the payment of Installment Payment Amounts thereon, if any. The Loan Trustee may appoint one or more co-registrars (the "Co-Registrars") and one or more additional Paying Agents for the Equipment Notes and the Loan Trustee may terminate the appointment of any Co-Registrar or Paying Agent at any time upon written notice. The term "Registrar" includes any Co-Registrar. The term "Paying Agent" includes any additional Paying Agent.

The Loan Trustee shall initially act as Registrar and Paying Agent.

Section 2.04. Transfer and Exchange. (a) At the option of a Loan Participant, Equipment Notes may be exchanged for an equal aggregate principal amount of other Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferred upon surrender of the Equipment Notes to be exchanged or transferred at the principal corporate trust office of the Loan Trustee, or at any office or agency maintained for such purpose pursuant to Section 2.03. Whenever any Equipment Note or Equipment Notes are so surrendered, the Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver, the replacement Equipment Note or Equipment Notes which the Loan Participant or the transferee, as the case may be, is entitled to receive.

All Equipment Notes issued upon any registration of transfer or exchange of Equipment Notes shall be the valid obligations of the Owner Trustee, evidencing the same obligations, and entitled to the same security and benefits under this Agreement, as the Equipment Notes surrendered upon such registration of transfer or exchange.

Every Equipment Note presented or surrendered for registration of transfer or exchange shall (if so required by the Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Loan Participant thereof or such Loan Participant's attorney duly authorized in writing.

No service charge shall be made to a Loan Participant for any registration of transfer or exchange of Equipment Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any registration of transfer or exchange of Equipment Notes.

The Registrar shall not be required (i) to register the transfer of or to exchange any Equipment Note during a period beginning at the opening of business 15 Business Days before the day of the mailing of a notice of redemption (or purchase in lieu of redemption) of Equipment Notes pursuant to Section 6.01 or 6.02 and ending at the close of business on the day of such mailing, or (ii) to register the transfer of or to exchange any Equipment Note called for redemption (or purchase in lieu of redemption) pursuant to such Section 6.01 or 6.02.

Notwithstanding anything to the contrary set forth herein, the transfer of any Bank Equipment Note shall not be registered pursuant to this Section 2.04 unless such transfer shall have been effected pursuant to and in accordance with the terms and conditions of Section 10(e) or 14(b) of the Refunding Agreement.

(b) The Equipment Notes may not be purchased by or transferred to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or individual retirement account or employee benefit plan subject to Section 4975 of the Internal Revenue Code, as amended (each an "ERISA Plan") or by any other entity whose assets constitute assets of an ERISA Plan unless one of the Underwriter Exemptions (as defined below) applies to such purchase. The purchase by a Person of any Equipment Note constitutes a representation by such Person to the Company, the Owner Participant, the Owner Trustee and the Loan Trustee that either (i) such Person is not an ERISA Plan and that such Person is not acquiring, and has not acquired, such Equipment Note with assets of an ERISA Plan or (ii) one of the Underwriter Exemptions applies to such purchase. For purposes of this paragraph, "Underwriter Exemption" means any one of the administrative exemptions granted by the United States Department of Labor to J.P. Morgan Securities, Inc., Morgan Stanley & Co. Incorporated and Salomon Brothers Inc (Prohibited Transaction Exemption 90-23, Exemption Application No. D-7989, 55 Fed. Reg. 20,545 (1990), Prohibited Transaction Exemption 90-24 et al., Exemption No. D-8019 et al., 55 Fed. Reg. 20,548 (1990) and Prohibited Transaction Exemption 89-89, Exemption Application No. D- 6446, as amended, 55 Fed. Reg. 48,939 (1990), respectively).

(c) The purchase by a Person of any Equipment Note constitutes an agreement by such Person with the Company, the Owner Participant, the Owner Trustee and the Loan Trustee to the terms of, and to be bound by and to observe

the provisions applicable to such Person contained in, the Equipment Notes, the Participation Agreement, the Refunding Agreement, the provisions herein and the other documents and agreements referred to therein.

Section 2.05. Loan Participant Lists; Ownership of Equipment Notes. (a) The Loan Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of Loan Participants. If the Loan Trustee is not the Registrar, the Registrar shall furnish (and the Owner Trustee shall cause the Registrar to furnish) to the Loan Trustee semiannually on or before each Interest Payment Date, and at such other times as the Loan Trustee may request in writing, a list, in such form and as of such date as the Loan Trustee may reasonably require, containing all the information in the possession or control of the Registrar as to the names and addresses of Loan Participants.

(b) Ownership of the Equipment Notes shall be proved by the Register kept by the Registrar. Prior to due presentment for registration of transfer of any Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent and the Registrar shall deem and treat the Person in whose name any Equipment Note is registered as the absolute owner of such Equipment Note for the purpose of receiving payment of principal (including, subject to the provisions herein regarding the applicable record dates, Installment Payment Amounts) of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and (subject to the provisions herein regarding the applicable record dates) interest on such Equipment Note and for all other purposes whatsoever, whether or not such Equipment Note is overdue, and none of the Owner Trustee, the Loan Trustee, the Paying Agent or the Registrar shall be affected by notice to the contrary.

Section 2.06. Mutilated, Destroyed, Lost or Stolen Equipment Notes. If any Equipment Note shall become mutilated, destroyed, lost or stolen, the Owner Trustee shall, upon the written request of the related Loan Participant, issue and execute, and the Loan Trustee shall authenticate and deliver, in replacement thereof, a new Equipment Note of the same type, having the same Maturity Date, payable to the same Loan Participant in the same principal amount and dated the same date as the Equipment Note so mutilated, destroyed, lost or stolen. If the Equipment Note being replaced has become mutilated, such Equipment Note shall be surrendered to the Loan Trustee. If the

Equipment Note being replaced has been destroyed, lost or stolen, the related Loan Participant shall furnish to the Owner Trustee and the Loan Trustee such security or indemnity as may be required by each of them to save the Owner Trustee and the Loan Trustee harmless (it being understood that an unsecured undertaking to indemnify each such party delivered in writing and in a form reasonably satisfactory to the Owner Trustee and the Loan Trustee by the Initial Bank Lender shall satisfy such requirement) and evidence satisfactory to the Owner Trustee and the Loan Trustee of the destruction, loss or theft of such Equipment Note and of the ownership thereof.

Section 2.07. Cancellation. The Registrar and any Paying Agent shall forward to the Loan Trustee all Equipment Notes surrendered to them for replacement, redemption, registration of transfer, exchange or payment. The Loan Trustee shall cancel all Equipment Notes surrendered for replacement, redemption, registration or transfer, exchange, payment or cancellation and shall destroy cancelled Equipment Notes.

Section 2.08. Payment on Equipment Notes; Defaulted Interest.  
(a) The Loan Trustee will arrange directly with any Paying Agent for the payment, or the Loan Trustee will make payment, all pursuant to Section 2.09, of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on or in respect of the Equipment Notes. Payments on the Equipment Notes in respect of interest and Installment Payment Amounts, if any, payable on an Installment Payment Date, shall be paid in immediately available funds in U.S. currency on each Interest Payment Date or Installment Payment Date, as the case may be, to the Loan Participant in whose name such Equipment Note is registered on the Register at the close of business on the relevant Record Date and, in the case of the Bank Equipment Notes, in such manner (by wire transfer of immediately available funds if not otherwise specified) as specified in Schedule I to the Refunding Agreement or as each Bank Lender shall have otherwise designated in writing to the Loan Trustee on or prior to such Record Date; provided, however, that, in the case of Pass Through Equipment Notes, the Paying Agent will, at the request of the Loan Trustee, and may, at its option, pay such interest or Installment Payment Amounts by check mailed to such Loan Participant's address as it appears on the Register. The Paying Agent shall cause each payment to the Bank Lenders to be made by 4:00 pm on the day the Paying Agent receives such payment, provided such payment is re-

ceived in immediately available funds by the Paying Agent by 1:00 pm on such day. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and time specified, Paying Agent, in its individual capacity and not as Paying Agent, hereby agrees to compensate any Bank Lender for the loss of use of such funds.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to a Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name such Bank Equipment Note is registered in the Register hereunder, under such Bank Equipment Note, under the Participation Agreement and under the Refunding Agreement, such Bank Lender shall surrender such Bank Equipment Note to the Loan Trustee for cancellation.

A Loan Participant shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal amount of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on all Equipment Notes held by such Loan Participant and all other sums due and payable to such Loan Participant hereunder, under such Equipment Notes, under the Participation Agreement and under the Refunding Agreement shall have been paid in full.

(b) Any Installment Payment Amount payable on an Installment Payment Date, or any interest payable on an Interest Payment Date on any Equipment Note which is not punctually paid on, or within 5 days after, such Installment Payment Date or such Interest Payment Date, as the case may be (herein called, respectively, a "Defaulted Installment" and "Defaulted Interest"), shall forthwith cease to be payable to the Loan Participant on the relevant Record Date by virtue of its having been such Loan Participant; and such Defaulted Installment or Defaulted Interest may be paid by the Loan Trustee, at its election in each case, as provided, in the case of the Pass Through Equipment Notes, in clause

(1) or (2) below and, in the case of Bank Equipment Notes, in clause (3) below:

(1) The Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Person in whose name a Pass Through Equipment Note is registered at the close of business on a special record date for the payment of such Defaulted Installment or Defaulted Interest, which shall be fixed in the following manner. The Loan Trustee shall notify the Paying Agent in writing of the amount of the Defaulted Installment or Defaulted Interest proposed to be paid on each such Pass Through Equipment Note and the date of the proposed payment, and at the same time the Loan Trustee shall make arrangements to set aside an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Installment or Defaulted Interest, prior to the date of the proposed payment, to be held in trust for the benefit of the Persons entitled to such Defaulted Installment or Defaulted Interest as this clause provides and shall fix a special record date for the payment of such Defaulted Installment or Defaulted Interest which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment. The Loan Trustee shall promptly notify the Owner Trustee and the Registrar of such special record date and shall cause notice of the proposed payment of such Defaulted Installment or Defaulted Interest and the special record date therefor to be mailed, first class postage prepaid, to each Loan Participant entitled thereto at such Loan Participant's address as it appears in the Register, not less than 10 days prior to such special record date. Notice of the proposed payment of such Defaulted Installment or Defaulted Interest and the special record date therefor having been mailed, as aforesaid, such Defaulted Installment or Defaulted Interest shall be paid to the Persons in whose names the applicable Equipment Notes are registered on such special record date and shall no longer be payable pursuant to the following clause (2).

(2) The Loan Trustee may make, or cause to be made, payment of any Defaulted Installment or Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which Pass Through Equipment Notes may be listed, and upon such notice as may be required by such exchange,

if such payment shall be deemed practicable by the Loan Trustee.

(3) In the case of a Bank Equipment Note, the Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Bank Lender in whose name such Bank Equipment Note is registered in the Register at the time of such payment.

(c) The Loan Trustee shall require each Paying Agent to agree in writing that such Paying Agent will hold in trust, for the benefit of the Loan Participants entitled thereto and the Loan Trustee, all money held by the Paying Agent for the payment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, the Equipment Notes, or any other amount payable to the Loan Participants hereunder or under any other Operative Document, and shall give to the Loan Trustee notice of any default by any obligor upon the Equipment Notes in the making of any such payment upon the Equipment Notes. The Loan Trustee at any time may require a Paying Agent to repay to the Loan Trustee all money held by it. Upon so doing the Paying Agent shall have no further liability for the money so paid.

Section 2.09. Payment from Indenture Estate Only; Non-Recourse Obligations. Notwithstanding any other provision herein or in the Equipment Notes to the contrary, all amounts payable by the Loan Trustee and the Owner Trustee under the Equipment Notes and this Agreement shall be made only from the income and proceeds of the Indenture Estate and each Loan Participant, by its acceptance of such Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for the payment of such amounts, to the extent available for distribution to it as herein provided, and (b) none of the Owner Trustee, the Owner Participant or the Loan Trustee is or shall be personally liable to any Loan Participant for any amount payable under such Equipment Note or this Agreement or, except as expressly provided in this Agreement in the case of the Owner Trustee and the Loan Trustee, for any liability thereunder or hereunder.

Wilmington Trust Company is entering into this Agreement solely as Owner Trustee under the Trust Agreement and not in its individual capacity, and in no case whatsoever shall Wilmington Trust Company (or any entity acting as successor trustee under the Trust Agreement) be personally liable for, or for any loss in respect of, any state-

ments, representations, warranties, agreements or obligations hereunder or thereunder; provided that Wilmington Trust Company shall be liable hereunder in its individual capacity, (i) for the performance of its agreements undertaken in its individual capacity under Section 8 of the Participation Agreement, (ii) for the performance of its agreements undertaken in its individual capacity under Section 9 of the Refunding Agreement and (iii) for its own willful misconduct or gross negligence. If a successor Owner Trustee is appointed in accordance with the terms of the Trust Agreement and the Participation Agreement, such successor Owner Trustee shall, without any further act, succeed to all of the rights, duties, immunities and obligations hereunder, and its predecessor Owner Trustee and Wilmington Trust Company shall be released from all further duties and obligations hereunder, without prejudice to any claims against Wilmington Trust Company or such predecessor Owner Trustee for any default by Wilmington Trust Company or such predecessor Owner Trustee, respectively, in the performance of its obligations hereunder prior to such appointment.

Section 2.10. Execution and Delivery of Equipment Notes upon Original Issuance. The Owner Trustee shall issue and execute, and the Loan Trustee shall authenticate and deliver, the Equipment Notes for original issuance only upon Company Request and upon payment by the Loan Participants pursuant to the Refunding Agreement of an aggregate amount equal to the aggregate original principal amount of the Equipment Notes.

### ARTICLE 3

#### RECEIPT, DISTRIBUTION AND APPLICATION OF FUNDS IN THE INDENTURE ESTATE

Section 3.01. Payment upon Issuance of Equipment Notes. On the Refunding Date, the Owner Trustee shall apply, or cause to be applied, the proceeds of the sale of the Equipment Notes to the redemption of the certificates issued pursuant to the Original Indenture.

Section 3.02. Payment in Case of Termination of Lease or Redemption of Equipment Notes. In the event the Equipment Notes are redeemed (or purchased in lieu of redemption) in accordance with the provisions of Section 6.01 or 6.02, the Loan Trustee will apply on the Redemption Date, or in the event of amounts distributable to

the Owner Trustee in accordance with clause fourth below, on the Lease Termination Date, any amounts then held by it in the Indenture Estate and received by it from or on behalf of the Company or the Owner Trustee (including, without limitation, Swap Breakage Loss, if any, payable in respect of the Bank Equipment Notes, whether or not constituting part of the applicable redemption price), in the following order of priority:

first, so much thereof as was received by the Loan Trustee with respect to the amounts due to it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much thereof as shall be required to pay the Redemption Price on the Outstanding Equipment Notes pursuant to Section 6.01 or 6.02, as the case may be, on the Redemption Date shall be applied to the redemption (or purchase in lieu of redemption) of the Equipment Notes on the Redemption Date;

third, so much thereof as shall be required to pay the amounts described in clauses "fifth" and "eighth" of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, thereof remaining after amounts specified in clauses first, second, and third have been applied or set aside for application shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Trust Agreement.

Section 3.03. Application of Rent When No Indenture Event of Default Is Continuing. Each amount of Rent received by the Loan Trustee from the Owner Trustee or the Company, together with any amount received by the Loan Trustee pursuant to Section 8.03(e)(i) hereof, shall, except as otherwise provided in Section 3.02, 3.04, 3.05 or 3.06, be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay in full the principal of, and interest then due on all Outstanding Equipment Notes shall be distributed to the Persons entitled thereto;

second, so much of such aggregate amount remaining as shall be required to pay any amount due the Loan Trustee pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

third, so much thereof as shall be required to pay the amounts described in clauses "fifth" and "eighth" of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee for distribution in accordance with the terms of the Trust Agreement.

Section 3.04. Application of Certain Payments in Case of Requisition or Event of Loss. Except as otherwise provided in Section 3.05, any amounts received directly or through the Company from any governmental authority or other Person pursuant to Section 10 of Lease with respect to the Airframe or the Airframe and the Engines or engines then installed on the Airframe as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to said Section 10, and any amounts of insurance proceeds for damage to the Indenture Estate received directly or through the Company from any insurer pursuant to Section 11 of the Lease with respect thereto as the result of an Event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to said Section 11, shall, except as otherwise provided in the next sentence, be applied in reduction of the Company's obligations to pay Stipulated Loss Value as provided in the Lease and the remainder, if any, shall, except as provided in the next sentence, be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Lease. Notwithstanding Section 3.05 hereof, any amounts held by the Loan Trustee, including, without limitation, pursuant to Section 10 or 11 of the Lease, which are payable to the Lessee pursuant to the terms of the Lease or held by the Loan Trustee in accordance with Section 25 of the Lease shall be (i) so paid to the Lessee or (ii) held by the Loan Trustee as security for the obligations of the Lessee, in each case in accordance with the applicable provisions of the Lease.

Section 3.05. Payments During Continuance of Indenture Event of Default. Except as otherwise provided in Section 3.02 or the last sentence of Section 3.04, all payments (except Excepted Property) received and amounts

held or realized by the Loan Trustee after an Indenture Event of Default shall have occurred and be continuing (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Loan Trustee as part of the Indenture Estate while such Indenture Event of Default shall be continuing, shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expense is liquidated) in using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements of and to the Indenture Estate and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Owner Trustee and, to the extent permitted under the Lease, the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

third, so much of such payments or amounts remaining as shall be required to pay the principal of and accrued interest on all Equipment Notes Outstanding payable to the Loan Participants then due and payable, whether by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal and interest; and in case the aggregate amount remaining shall be insufficient to pay in full the whole amount so due and unpaid, then such amount shall be applied to the payment of such principal and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal

and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts;

fourth, so much of such payments or amounts remaining as shall be required to pay the Make-Whole Amount, if any, and the Swap Breakage Loss, if any, as the case may be, then due and payable to any Loan Participant pursuant to Section 6.01 or 6.02 hereof but unpaid shall be applied ratably to the payment of such Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be (but only to the extent that such Make-Whole Amount or Swap Breakage Loss is payable or arises in connection with the occurrence of an Indenture Event of Default that is not a Lease Event of Default); and, in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant bears to the aggregate amount due all such Loan Participants under this clause fourth;

fifth, so much of such payments or amounts remaining as shall be required to pay to each Loan Participant all other amounts payable pursuant to the indemnification provisions of Section 7(b) or 7(c) of the Participation Agreement, pursuant to Section 14 of the Refunding Agreement or pursuant to any other provision of this Indenture or any Operative Document (excluding, in any case, any amounts payable pursuant to clause "second" or "third" of this Section 3.05 or amounts constituting a Make-Whole Amount or Swap Breakage Loss) to such Loan Participant or to its predecessors and remaining unpaid shall be distributed to such Loan Participant for distribution to itself and such predecessors, as their interests may appear, and if the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant under this clause "fifth" bears to the aggregate amount due all such Loan Participants under this clause "fifth";

sixth, so much of such payments or amounts remaining thereafter shall be held by the Loan Trustee as collateral security for the obligations secured hereby

until such time as no Indenture Event of Default shall be continuing hereunder or the Equipment Notes have been accelerated and all amounts due thereon (other than any Swap Breakage Loss) have been paid, at which time so much of such payments or amounts remaining as shall be required to pay an amount which, when aggregated with any prior distributions pursuant to this clause " sixth", shall be equal to the sum of (a) the excess, if any, of (i) the Termination Value for the Aircraft, computed as of the date of distribution pursuant to this clause " sixth" (the "Distribution Date"), over (ii) the aggregate principal amount of the Outstanding Equipment Notes as of the Distribution Date, plus (b) all other Supplemental Rent then due and owing to the Owner Trustee or the Owner Participant shall be distributed to the Owner Trustee to be held or distributed in accordance with the provisions of the Trust Agreement; provided that at such time as one or more Lease Events of Default shall have occurred and any such Lease Event of Default shall have continued for a period of 180 days during which the Equipment Notes could, but shall not, have been accelerated pursuant to Section 8.02, the amounts which would have been payable to the Owner Trustee pursuant to this clause " sixth" but for the occurrence of such Lease Event of Default shall be so paid to the Owner Trustee;

seventh, so much of such payments or amounts remaining as shall be required to pay the Swap Breakage Loss, if any, then due and payable to the Bank Lenders (to the extent that such Swap Breakage Loss is payable or arises in connection with an Indenture Event of Default that is also a Lease Event of Default) shall be applied to the payment of such Swap Breakage Loss, if any; and in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably without priority of any Bank Lender over any other Bank Lender, in the proportion that the aggregate amount due to each such Bank Lender bears to the aggregate amount due all such Bank Lenders under this clause "seventh"; and

eighth, so much of such payments or amounts remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the provisions of the Trust Agreement, so long as no Indenture Event of Default exists other than by virtue of such Lease Event of Default.

Section 3.06. Certain Payments. (a) Except as otherwise provided in this Agreement, any payment received by the Loan Trustee for which provision as to the application thereof is made in the Lease or the Participation Agreement shall be distributed to the Person for whose benefit such payments were made. Notwithstanding anything in this Article 3 or elsewhere in this Agreement to the contrary, the Loan Trustee shall be obligated to distribute and shall distribute to the Owner Participant or the Owner Trustee, as the case may be, any Excepted Property received by the Loan Trustee promptly upon receipt thereof by the Loan Trustee.

(b) Except as otherwise provided in Section 3.05, the Loan Trustee will distribute promptly upon receipt any indemnity or other payment received by it from the Owner Trustee or the Company in respect of the Loan Trustee in its individual capacity or any Loan Participant pursuant to Section 7(b) or 7(c) of the Participation Agreement or, in the case of any Bank Lender, Section 14(a) of the Refunding Agreement directly to the Person entitled thereto as such Person's interest may appear.

Section 3.07. Payments for Which No Application Is Otherwise Provided. Except as otherwise provided in Section 3.05:

(a) any payment received by the Loan Trustee for which no provision as to the application thereof is made elsewhere in this Agreement, and

(b) any payment received and amounts realized by the Loan Trustee with respect to the Aircraft to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this Agreement or for the defeasance of the Equipment Notes shall have been satisfied, as well as any other amounts remaining as part of the Indenture Estate after such satisfaction shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts; and

second, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Owner Trustee to be held or distributed in accordance with the terms of the Trust Agreement, the Lease or the Participation Agreement.

#### ARTICLE 4

##### COVENANTS OF OWNER TRUSTEE

Section 4.01. Covenants of Owner Trustee. The Owner Trustee hereby covenants and agrees that:

(a) it will, subject always to Section 2.09, pay or cause to be paid when due all amounts of principal and interest due under the Equipment Notes (in any case, without duplication of amounts theretofore paid to the Loan Trustee in respect thereof), and if received from the Company as Supplemental Rent, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and any other amount due under the Equipment Notes;

(b) it will not suffer to exist any Lessor's Lien attributable to it in its individual capacity with respect to the Indenture Estate;

(c) in the event that any Responsible Officer of the Owner Trustee shall have actual knowledge of an Indenture Event of Default or Indenture Default or an Event of Loss, the Owner Trustee will give prompt written notice thereof to the Loan Trustee, the Owner Participant and the Company;

(d) it will not, except as contemplated by the Operative Documents or with the consent of the Loan Trustee, contract for, create, incur, assume or suffer to exist any Debt, and will not guarantee (directly or indirectly or by an instrument having the effect of assuming another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise be or become contingently liable, directly or indirectly, in connection with the Debt of any other Person; and

(e) it will not, in its capacity as Owner Trustee, engage in any business or other activity, except as contemplated hereby or by the other Operative Documents.

#### ARTICLE 5

##### DISPOSITION, SUBSTITUTION AND RELEASE OF PROPERTY INCLUDED IN THE INDENTURE ESTATE DURING CONTINUATION OF LEASE

Section 5.01. Disposition, Substitution and Release of Property Included in the Indenture Estate During Continuation of Lease. So long as the Lease is in effect:

(a) Parts. Any Parts and alterations, improvements and modifications in and additions to the Aircraft shall, to the extent required or specified by the Lease, become subject to the Lien of this Agreement and be leased to the Company under the Lease; provided that, to the extent permitted by and as provided in the Lease, the Company shall have the right, at any time and from time to time, without any release from or consent by the Owner Trustee or the Loan Trustee, to remove, replace and pool Parts and to make alterations, improvements and modifications in, and additions to, the Aircraft. The Loan Trustee agrees that, to the extent permitted by and as provided in the Lease, title to any such removed or replaced Part shall vest in the Company. The Loan Trustee shall from time to time execute an appropriate written instrument or instruments to confirm the release of the security interest of the Loan Trustee in any Part as provided in this Section 5.01, in each case upon receipt by the Loan Trustee of a Company Request stating that said action was duly taken by the Company in conformity with this Section 5.01 and that the execution of such written instrument or instruments is appropriate to evidence such release of a security interest under this Section 5.01.

(b) Substitution Under the Lease upon an Event of Loss Occurring to Airframe or Engines or upon Voluntary Termination of Lease with Respect to Engines. Upon (i) the occurrence of an Event of Loss occurring to the Airframe or an Engine, or (ii) a voluntary termination of the Lease with respect to an Engine, the Company may, in the case of an Event of Loss which has occurred to the Airframe, or shall, in the case of an Event of Loss which has occurred to or termination of the Lease with respect to an Engine, substitute an airframe or engine, as the case may be, in which

case, upon satisfaction of all conditions to such substitution specified in Section 10 of the Lease, the Loan Trustee shall release all of its right, interest and Lien in and to the Airframe or such Engine in accordance with the provisions of the following two sentences. The Loan Trustee shall execute and deliver to the Owner Trustee an instrument releasing its Lien in and to the Airframe or such Engine and shall execute for recording in public offices, at the expense of the Owner Trustee (if requested by the Owner Trustee) or the Company (if requested by the Company), such instruments in writing as the Owner Trustee or the Company shall reasonably request and as shall be reasonably acceptable to the Loan Trustee in order to make clear upon public records that such Lien has been released under the laws of the applicable jurisdiction. The Owner Trustee hereby waives and releases any and all rights existing or that may be acquired to any penalties, forfeit or damages from or against the Loan Trustee for failure to execute and deliver any document in connection with the release of a Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of a Lien, except for failure by the Loan Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by the Owner Trustee or the Company.

## ARTICLE 6

### REDEMPTION OF EQUIPMENT NOTES

Section 6.01. Redemption of Equipment Notes upon Event of Loss, Termination of the Lease or Optional Redemption. (a) Upon the occurrence of an Event of Loss to the Aircraft if the Aircraft is not replaced pursuant to Section 10(a)(i) of the Lease, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid outstanding principal amount thereof together with accrued and unpaid interest thereon to, but excluding, the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.01(a) shall be the Lease Loss Payment Date.

(b) (1) Upon termination of the Lease pursuant to Section 9(a) of the Lease or upon purchase of the Aircraft by the Company at its option pursuant to Section 9(e) or 20(b) of the Lease (unless the Company shall have assumed

the rights and obligations of the Owner Trustee hereunder to the extent and as provided for in Section 7.03 hereof), each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this clause (1) shall be the Special Termination Date in case the Company purchases the Aircraft pursuant to Section 9(e) of the Lease, or the Special Purchase Option Date in case the Company purchases the Aircraft pursuant to Section 20(b) of the Lease, or otherwise shall be the third Business Day following the Lease Termination Date.

(2) Upon the request of the Owner Trustee upon at least 30 days' prior notice to the Loan Trustee, provided that, so long as no Lease Event of Default shall have occurred and be continuing, the Owner Trustee shall have received written consent to such redemption from the Company prior to the giving of such notice, each Outstanding Equipment Note shall be redeemed (or purchased in lieu of redemption) in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed or purchased prior to the Premium Termination Date applicable to such Pass Through Equipment Note (unless such redemption or purchase is pursuant to Section 6.02), Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed or purchased pursuant to this clause (2) shall be the date designated in the notice of the Owner Trustee, which shall be a Business Day. If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

(3) Upon the request of the Owner Trustee (i) upon at least 30 days' prior irrevocable notice to the Loan Trustee in the case of the Pass Through Equipment Notes or (ii) upon at least five days' notice to the Loan Trustee in the case of the Bank Equipment Notes, and provided that (A) the Owner Trustee shall have received written consent to such redemption from the Company prior to the giving of such notice and (B) all outstanding equipment notes then held in the same Pass Through Trust or by the same Bank Lender, as the case may be, are simultaneously being redeemed, each Outstanding Equipment Note having the maturity or being held by the Bank Lender designated by the Owner Trustee in such notice shall be redeemed at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, and otherwise without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this clause (3) shall be the date designated in the notice of the Owner Trustee, which shall be a Business Day. If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

Section 6.02. Redemption or Purchase of Equipment Notes upon Certain Indenture Events of Default. If the Owner Trustee or the Owner Participant gives the notice specified in Section 8.03(e)(ii), then each Outstanding Equipment Note shall be redeemed (or purchased in lieu of redemption) in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof, together with accrued and unpaid interest thereon to but excluding the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, payable in respect of the Bank Equipment Notes in connection with any Indenture Event of Default that is not a Lease Event of Default, but in all cases without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed (or purchased in lieu of redemption) pursuant to this Section 6.02 shall be the date specified in the notice given by the Owner Trustee to the Loan Trustee pursuant to Section 8.03(e)(ii). If the Owner Trustee elects to purchase the Equipment Notes under Section 8.03(e)(ii), nothing herein, including the use

of the terms "Redemption Date" and "Redemption Price," shall be deemed to result in a redemption of the Equipment Notes.

Section 6.03. Notice of Redemption to Loan Participants.

Notice of redemption or purchase with respect to the Equipment Notes shall be given by first-class mail, postage prepaid, mailed not less than 25 nor more than 60 days prior to the Redemption Date (except that, with respect to any Bank Equipment Notes for which a shorter period of notice to the Loan Trustee is provided, written notice shall be given to each affected Bank Lender as promptly as practicable after the Loan Trustee receives such notice), to each Loan Participant of such Equipment Notes to be redeemed or purchased, at such Loan Participant's address appearing in the Register; provided that, in the case of a redemption to be made pursuant to Section 6.01(b), such notice shall be revocable and shall be deemed revoked in the event that the Lease does not in fact terminate on the Lease Termination Date or if notice of such redemption shall have been given in connection with a refinancing of Equipment Notes and the Loan Trustee receives written notice of such revocation from the Company or the Owner Trustee not later than three Business Days prior to the Redemption Date.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,
- (3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Equipment Note, and that, if any such Equipment Notes are then Outstanding, interest on such Equipment Notes shall cease to accrue on and after such Redemption Date, and
- (4) the place or places where such Equipment Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption or purchase of Equipment Notes to be redeemed or purchased shall be given by the Loan Trustee.

Section 6.04. Deposit of Redemption Price. On or before the Redemption Date, the Owner Trustee (or any person on behalf of the Owner Trustee) shall, to the extent an amount equal to the Redemption Price for the Equipment Notes

to be redeemed or purchased on the Redemption Date shall not then be held in the Indenture Estate, deposit or cause to be deposited with the Loan Trustee or the Paying Agent by 12:00 Noon on the Redemption Date in immediately available funds the Redemption Price of the Equipment Notes to be redeemed or purchased.

Section 6.05. Equipment Notes Payable on Redemption Date.

Notice of redemption or purchase having been given as aforesaid (and not deemed revoked as contemplated in the proviso to Section 6.03), the Equipment Notes to be redeemed or purchased shall, on the Redemption Date, become due and payable at the principal corporate trust office of the Loan Trustee or at any office or agency maintained for such purposes pursuant to Section 2.03, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Equipment Notes then outstanding shall cease to bear interest. Promptly following payment of such Redemption Price with respect to any Bank Equipment Note, the Bank Lender holding such Bank Equipment Note shall surrender such Bank Equipment Note to the Loan Trustee. Upon surrender of any Pass Through Equipment Note for redemption or purchase in accordance with said notice such Equipment Note shall be paid at the Redemption Price.

If any Equipment Note called for redemption or purchase shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate in effect for such Equipment Note as of such Redemption Date.

ARTICLE 7

CERTAIN COVENANTS

Section 7.01. Repayment of Monies for Equipment Note Payments Held by the Loan Trustee. Any money held by the Loan Trustee or any Paying Agent in trust for any payment of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, including without limitation any money deposited pursuant to Article 10, and remaining unclaimed for more than two years and eleven months after the due date for such payment or any money paid to the Loan Trustee pursuant to Section 11.01 of the Pass Through Trust Agreement shall be paid to the Owner Trustee; and the Loan Partici-

pants entitled to payment thereon shall thereafter, as unsecured general creditors, look only to the Company on behalf of the Owner Trustee for payment thereof, and all liability of the Loan Trustee or any such Paying Agent with respect to such trust money shall thereupon cease; provided that the Loan Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each such Loan Participant notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of mailing, any unclaimed balance of such money then remaining will be repaid to the Owner Trustee as provided herein.

Section 7.02. Change in Registration. The Loan Trustee shall upon the request of the Company consent to the deregistration of the Aircraft under the laws of the jurisdiction in which it is at the time registered and the registration of the Aircraft under laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) such change in registration complies with the provisions of the Lease;

(b) no Lease Event of Default and no event which, with lapse of time or notice, or both, would become a Lease Event of Default shall have occurred and be continuing at the date of such request or at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (b) if the change in registration results in the registration of the Aircraft under the laws of the United States of America or if the Loan Trustee in its discretion believes the change in registration would be advantageous to the Loan Participants;

(c) the Loan Trustee shall have received an opinion of counsel reasonably satisfactory to it to the effect that:

(i) after giving effect to the change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a fully-perfected Lien and all filing, recording or other action necessary to perfect and protect the Lien of this Indenture has been accomplished (or if such opinion cannot be given at the time by which the Loan Trustee has

been requested to consent to a change in registration, (x) the opinion shall detail what filing, recording or other action is necessary and (y) the Loan Trustee shall have received a certificate from the Company that all possible preparations to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Loan Trustee on or prior to the effective date of the change in registration); and

(ii) the terms of the Lease and this Agreement (including the governing law clauses) are legal, valid and binding and enforceable in such jurisdiction, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, and except as limited by applicable laws which may affect the remedies provided in the Lease and this Agreement, respectively, which laws, however, do not in the opinion of such counsel make the remedies provided in the Lease and this Agreement, respectively, inadequate for the practical realization of the rights and benefits provided thereby;

(d) the Loan Trustee shall have received assurances reasonably satisfactory to it that the insurance provisions of the Lease will have been complied with after giving effect to such change in registration; and

(e) the Company shall have paid or made provision satisfactory to the Loan Trustee for the payment of all expenses connected with such change in registration.

The Loan Trustee shall execute such documents as the Company or the Owner Trustee shall reasonably request in order to satisfy the above conditions and upon satisfaction of such conditions to effect the change in registration.

Section 7.03. Assumption of Obligations of Owner Trustee by the Company. In the event that the Company shall have elected to assume all of the rights and obligations of the Owner Trustee under this Agreement in respect of the Equipment Notes in connection with the purchase by the Company of the Aircraft on a Lease Termination Date pursuant to Section 9(e) or Section 20(b) of the Lease (any such date

being referred to hereinafter as the "Relevant Date") and, if on or prior to the Relevant Date:

(a) the Company shall have delivered to the Loan Trustee a certificate, dated the Relevant Date, of a Responsible Company Officer stating that the Company has paid to the Owner Trustee all amounts required to be paid to the Owner Trustee pursuant to the Lease, in connection with such purchase and assumption;

(b) no Indenture Default after giving effect to the Relevant Amendment (as defined below) pursuant to clause (x) below shall have occurred and be continuing immediately subsequent to such purchase or assumption and the Loan Trustee shall have received a certificate, dated the Relevant Date, of a Responsible Company Officer to such effect;

(c) the Loan Trustee shall have received, on or prior to the Relevant Date, evidence of all filings, recordings and other action referred to in the Opinion or Opinions of Counsel referred to below; and

(d) the Loan Trustee shall have received an Opinion or Opinions of Counsel for the Company, dated the Relevant Date, which without unusual qualification shall be to the effect that, after giving effect to the Relevant Amendment (as defined below):

(i) this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity, and except as limited by applicable laws which may affect the remedies provided for in this Agreement, which laws, however, do not in the opinion of such counsel make the remedies provided for in this Agreement inadequate for the practical realization of the rights and benefits provided for in this Agreement;

(ii) the Aircraft is duly registered in compliance with applicable law under the laws of the jurisdiction in which the Aircraft was registered immediately prior to such purchase and assumption;

(iii) the Lien on the Aircraft constitutes a fully-perfected Lien and all filing, recording or other action (specifying the same) necessary to perfect and protect the Lien of this Agreement has been accomplished; and

(iv) the Loan Trustee should, for the reasons set forth in such opinion, be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the Aircraft; provided that such opinion need not be delivered to the extent that the benefits of Section 1110 of the Bankruptcy Code are not available to the Loan Trustee with respect to the Aircraft immediately prior to such assumption; and provided further that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date;

then, automatically and without the requirement of further action by any Person, effective as of the Relevant Date:

(x) this Agreement shall be deemed to have been amended as provided for in Exhibit D hereto (the "Relevant Amendment "); and

(y) the Owner Trustee shall be released from all of its obligations under this Agreement in respect of the Equipment Notes or otherwise (other than any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Relevant Date or arising out of or based upon events occurring on or prior to the Relevant Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee).

#### ARTICLE 8

##### DEFAULTS AND REMEDIES

Section 8.01. Indenture Events of Default. "Indenture Event of Default" shall mean any of the following events (whatever the reason for such Indenture Event of Default and whether such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any

administrative or governmental body) and each such Indenture Event of Default shall be deemed to exist so long as, but only so long as, it shall not be remedied:

(a) any amount of interest upon any Equipment Note or of principal of any Equipment Note or of Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, in respect of any Equipment Note shall not be paid when due and payable (whether upon redemption or purchase, final maturity, acceleration or otherwise) and such default in payment shall continue for more than 15 days after such amount shall have become due and payable; or

(b) any failure by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to observe any of its covenants or its agreements contained in the fifth paragraph of the Habendum Clause or Sections 4.01(d) and 4.01(e) if, but only if, such failure is not remedied within a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder, by the Loan Trustee or by the Loan Participants owning at least 25% in principal amount of Outstanding Equipment Notes; or

(c) any failure by the Owner Participant or the Owner Trustee, in its individual capacity, to observe or perform any of its respective covenants in Section 9(b), 9(c), 9(d) or 16(c) of the Participation Agreement; or

(d) any failure by the Owner Trustee, in its individual capacity or as Owner Trustee, to observe or perform any other covenant or obligation of the Owner Trustee contained in this Agreement, in the Participation Agreement or any failure by the Owner Participant to observe or perform any other covenant or obligation of the Owner Participant contained in the Participation Agreement which failure, in any case and either individually or together with other then existing failures, shall have a material adverse effect on the rights and interests of the Loan Participants and is not remedied within a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such failure and requiring it to be remedied and

stating that such notice is a "Notice of Default" hereunder, by the Loan Trustee or by Loan Participants owning at least 25% in principal amount of outstanding Equipment Notes (provided that if such failure is capable of being remedied, no such failure shall constitute an Indenture Event of Default hereunder for such longer period (not to exceed 180 days) during which the Owner Trustee or the Owner Participant, as the case may be, is diligently proceeding to remedy such failure and provided further that the Owner Trustee or the Owner Participant, as the case may be, shall have provided to the Loan Trustee adequate assurances of performance within such period); or

(e) any representation or warranty made by the Owner Participant, the Owner Trustee, in its individual capacity or as Owner Trustee, or the Owner Participant Guarantor herein, in the Participation Agreement, in the Refunding Agreement, or in the Owner Participant Guaranty shall prove at any time to have been false or incorrect when made and was and is in any respect materially adverse to the rights and interests of the Loan Participants; and if such misrepresentation and its consequences are capable of being corrected as of a subsequent date and if such correction is being sought diligently, such misrepresentation and its consequences shall continue unremedied for a period of 30 days after there has been given to the Owner Trustee and the Owner Participant, by registered or certified mail, a written notice specifying such incorrectness and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder by the Loan Trustee or by Loan Participants owning at least 25% in principal amount of Outstanding Equipment Notes; or

(f) subject to Section 8.03(e)(i), any Lease Event of Default (other than any such Lease Event of Default in respect of any Excepted Property); provided that any Lease Event of Default shall be deemed to exist and continue so long as, but only so long as, it shall not be remedied; or

(g) either the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant or the Owner Participant Guarantor, as the case may be, shall (i) file, or consent by answer or otherwise to the filing against it of a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or

to take advantage of any bankruptcy or insolvency law of any jurisdiction, (ii) make an assignment for the benefit of its creditors, or (iii) consent to the appointment of a custodian, receiver, trustee or other officer with similar powers of itself or any substantial part of its property; or

(h) a court or governmental authority of competent jurisdiction shall enter an order appointing, without consent by the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant, or the Owner Participant Guarantor, as the case may be, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Trust Estate or the Owner Trustee with respect thereto (and not in its individual capacity), the Owner Participant, or the Owner Participant Guarantor, as the case may be, and any such order or petition is not dismissed or stayed within 90 days after the earlier of the entering of any such order or the approval of any such petition; or

(i) any Lessor's Lien required to be discharged by the Owner Participant or the Owner Trustee, in its individual capacity, pursuant to Section 16(b) of the Participation Agreement (in the case of the Owner Participant) or Section 9(c) of the Participation Agreement or Section 4.01(b) hereof (in the case of the Owner Trustee) shall remain undischarged for a period of 30 days after an officer in the Corporate Trust Department who has responsibility for, or familiarity with, the transactions contemplated by the Operative Documents or any Vice President in the Corporate Trust Department (with respect to a Lessor's Lien attributable to the Owner Trustee) or an officer of the Owner Participant who has responsibility for, or familiarity with, the transactions contemplated by the Operative Documents or any Vice President of the Owner Participant (with respect to a Lessor's Lien attributable to the Owner Participant) shall have actual knowledge of such Lien; or

(j) at any time when the Aircraft is registered under the laws of a country other than the United States of America, as a result of the gross negligence or wilful misconduct of the Owner Trustee or the Owner Participant, the Lien of this Agreement shall cease to constitute a valid and duly perfected Lien on the Indenture Estate (other than pursuant to and in accordance with the terms of Section 10.01); or

(k) any Owner Participant Guaranty ceases to be a valid and enforceable obligation of the Owner Participant Guarantor or otherwise shall not be in full force and effect.

Section 8.02. Acceleration; Rescission and Annulment. If an Indenture Event of Default occurs and is continuing, the Loan Trustee, by notice to the Company, the Owner Participant and the Owner Trustee, or Loan Participants owning at least 25% in aggregate principal amount of Outstanding Equipment Notes by notice to the Company, the Loan Trustee, the Owner Trustee and the Owner Participant, may declare the principal of all the Equipment Notes to be due and payable. Upon such declaration, the principal of all Equipment Notes, together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal has been made or duly provided for shall be immediately due and payable, together with Swap Breakage Loss, if any, on the Bank Equipment Notes. At any time after such declaration and prior to the sale or disposition of the Indenture Estate, Loan Participants owning a majority in aggregate principal amount of all of the Outstanding Equipment Notes, by notice to the Loan Trustee, the Owner Trustee and the Owner Participant, may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of, Make-Whole Amount, if any, and Swap Breakage Loss, if any, and interest on, such Equipment Notes, to the extent each such amount is due or past due, if any, in respect of the Outstanding Equipment Notes other than by reason of such acceleration and all sums due and payable to the Loan Trustee has been deposited with the Loan Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults and Indenture Events of Default under this Agreement have been cured or waived except nonpayment of principal of, Swap Breakage Loss, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No Make-Whole Amount shall be payable on the Pass Through

Equipment Notes as a result of the acceleration of the Equipment Notes.

Section 8.03. Other Remedies Available to Loan Trustee. (a) After an Indenture Event of Default shall have occurred and so long as such Indenture Event of Default shall be continuing, then and in every such case the Loan Trustee, as trustee of an express trust and as assignee hereunder of the Lease or as holder of a security interest in the Aircraft, Airframe or Engines or otherwise, may, and when required pursuant to the provisions of Article 9 shall, exercise subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), upon ten (10) Business days' prior notice to the Owner Trustee and the Owner Participant (if not precluded by law or otherwise) any or all of the rights and powers and pursue any and all of the remedies accorded to the Owner Trustee pursuant to this Article 8 (and in the event that such Indenture Event of Default is also a Lease Event of Default, pursuant to Section 15 of the Lease), may recover judgment in its own name as Loan Trustee against the Indenture Estate and may take possession of all or any part of the Indenture Estate and may exclude the Owner Trustee and the Owner Participant and all persons claiming under any of them wholly or partly.

(b) After an Indenture Event of Default shall have occurred and so long as such Indenture Event of Default shall be continuing, subject to Sections 8.03(e), 8.03(f) and 8.03(h), the Loan Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Owner Trustee, the Owner Participant and the Company once at least 10 Business Days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Loan Trustee may determine, and at any place (whether or not it be the location of the Indenture Estate or any part thereof) and time designated in the notice above referred to; provided, however, that, notwithstanding any provision herein to the contrary, the Loan Trustee may not provide the notice provided for above of its intention to sell any of the Indenture Estate, exercise remedies under the Lease or exercise other remedies against the Indenture Estate, in

each case seeking to deprive the Owner Participant of its interest therein unless a declaration of acceleration has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or by announcement at the time and place appointed for any such adjourned sale or sales, without further notice, and the Loan Trustee and any Loan Participant may bid and become the purchaser at any such sale. The Loan Trustee may exercise such right without possession or production of the Equipment Notes or proof of ownership thereof, and as representative of the Loan Participants may exercise such right without notice to the Loan Participants or including the Loan Participants as parties to any suit or proceeding relating to foreclosure of any property in the Indenture Estate. The Owner Trustee hereby irrevocably constitutes the Loan Trustee the true and lawful attorney-in-fact of the Owner Trustee (in the name of the Owner Trustee or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the Lien created under this Agreement, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Loan Trustee may consider necessary or appropriate, with full power of substitution, the Owner Trustee hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Loan Trustee or any purchaser, the Owner Trustee shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and other proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) Subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Owner Trustee shall, at the request of the Loan Trustee, promptly execute and deliver to the Loan Trustee such instruments of title or other documents as the Loan Trustee may deem necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Indenture Estate. If the Owner Trustee shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee shall be entitled to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Loan Trustee the

right to immediate possession and requiring the Owner Trustee or the Company or both to execute and deliver such instruments and documents to the Loan Trustee. The Loan Trustee shall also be entitled to pursue all or any part of the Indenture Estate wherever it may be found and may enter any of the premises of the Owner Trustee or any other Person wherever the Indenture Estate may be or be supposed to be and search for the Indenture Estate and take possession of any item of the Indenture Estate pursuant to this Section 8.03(c). The Loan Trustee may, from time to time, at the expense of the Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements, alterations, additions and improvements to and of the Indenture Estate, as it may deem proper. In each such case, the Loan Trustee shall have the right to use, operate, store, lease, control or manage the Indenture Estate, and to exercise all rights and powers of the Owner Trustee relating to the Indenture Estate as the Loan Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, leasing, control or management of the Indenture Estate or any part thereof; and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents (including Rent), issues, profits, products, revenues and other income of the Indenture Estate and every part thereof, without prejudice, however, to the right of the Loan Trustee under any provision of this Agreement to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls, rents (including Rent), issues, profits, products, revenues and other income shall be applied to pay the expenses of using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Owner Trustee and, to the extent permitted by the Lease, the Company), and all other payments which the Loan Trustee may be required or authorized to make under any provision of this Agreement, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Loan Trustee, and of all persons properly engaged and employed by the Loan Trustee.

If an Indenture Event of Default occurs and is continuing and the Loan Trustee shall have obtained possession of or title to the Aircraft, the Loan Trustee shall not be obligated to use or operate the Aircraft or cause the Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of the Aircraft by any other Person unless (i) the Loan Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all liability for loss or damage to the Aircraft and for public liability and property damage resulting from use or operation of the Aircraft and (ii) funds are available in the Indenture Estate to pay for all such insurance or, in lieu of such insurance, the Loan Trustee is furnished with indemnification from the Loan Participants or any other Person upon terms and in amounts satisfactory to the Loan Trustee in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Sections 8.03(b), 8.03(e), 8.03(f) and 8.03(h), the Loan Trustee may proceed to protect and enforce this Agreement and the Equipment Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted, or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate or any part thereof, or for the recovery of judgment for the indebtedness secured by the Lien created under this Agreement or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(e) (i) If the Company shall fail to make any payment of Basic Rent under the Lease when the same shall become due, and if such failure of the Company to make such payment of Basic Rent shall not constitute the fourth or subsequent consecutive such failure or the seventh or subsequent cumulative such failure, then as long as no Indenture Event of Default (other than arising from a Lease Event of Default) shall have occurred and be continuing, the Owner Participant or the Owner Trustee may (but need not) pay to the Loan Trustee, at any time prior to the day which is the thirtieth day subsequent to notice of such failure by the Loan Trustee to the Owner Trustee or the Owner Participant (and the Loan Trustee shall not (without the prior written

consent of the Owner Trustee) declare the Lease in default pursuant to Section 15 thereof or exercise any of the rights, powers or remedies pursuant to such Section 15 or this Article 8 prior to the occurrence of such date), an amount equal to the full amount of such payment of Basic Rent, together with any interest due thereon on account of the delayed payment thereof to the date of such payment (without regard to any acceleration), and such payment by the Owner Participant or the Owner Trustee shall be deemed to cure as of the date of such payment any Indenture Event of Default which arose from such failure of the Company (including any Lease Event of Default arising from the Company's failure to pay interest in respect of such overdue Basic Rent for the period commencing on the date of such payment), but such cure shall not relieve the Company of any of its obligations. If the Company shall fail to perform or observe any covenant, condition or agreement to be performed or observed by it under the Lease other than the payment of Basic Rent, and if (but only if) the performance or observance thereof can be effected by the payment of money alone (it being understood that actions such as the obtaining of insurance and the procurement of maintenance services can be so effected), then as long as no other Indenture Event of Default (other than those arising from a Lease Event of Default) shall have occurred and be continuing, the Owner Participant or the Owner Trustee may (but need not) pay to the Loan Trustee (or to such other person as may be entitled to receive the same), at any time prior to the day which is the thirtieth day subsequent to notice of such failure by the Loan Trustee to the Owner Trustee or the Owner Participant (or such longer period ending on the second day after the expiry of the applicable grace period specified in the Lease with respect to such default) (and the Loan Trustee shall not (without the prior written consent of the Owner Trustee) declare the Lease in default pursuant to Section 15 thereof or exercise any of the rights, powers or remedies pursuant to such Section 15 or this Article 8 prior to the occurrence of such date), all sums necessary to effect the performance or observance of such covenant or agreement of the Company, together with any interest due thereon on account of the delayed payment thereof to the date of such payment, and such payment by the Owner Participant or the Owner Trustee shall be deemed to cure as of the date of such payment any Indenture Event of Default which arose from such failure of the Company (including any Lease Event of Default arising from the Company's failure to pay interest in respect of such overdue payment for the period commencing on the date of such payment), but such cure shall not relieve the Company of any of its obligations. Upon any payment of

Basic Rent by the Owner Participant or the Owner Trustee in accordance with the first sentence of this Section 8.03(e)(i), or upon any payment of any other sums by the Owner Participant or the Owner Trustee in accordance with the second sentence of this Section 8.03(e)(i), then any declaration pursuant to Section 15 of the Lease that the Lease is in default, and any declaration pursuant to this Indenture that the Equipment Notes are due and payable or that an Indenture Event of Default exists, based upon such Lease Event of Default, shall be deemed rescinded, and the Owner Participant or the Owner Trustee shall, to the extent of their respective payments, be subrogated, in the case of any such payment in accordance with such first sentence, to the rights of the Loan Trustee, as assignee hereunder of the Owner Trustee, or, in the case of any such payment in accordance with such second sentence, to the rights of the Loan Trustee or such other person, as the case may be, which actually received such payment, to receive such payment of Basic Rent or such other payment, as the case may be (and any interest due thereon on account of the delayed payment thereof), and shall be entitled to receive such payment upon its receipt by the Loan Trustee or such other person, as aforesaid (but in each case only if all amounts of principal of, and interest at the time due and payable on, the Equipment Notes together with interest due thereon on account of the delayed payment thereof shall have been paid in full); provided that neither the Owner Participant nor the Owner Trustee shall attempt to recover any such amount paid by it on behalf of the Company pursuant to this Section 8.03(e)(i) except by demanding of the Company payment of such amount or by commencing an action against the Company to require the payment of such amount.

(ii) At any time (a) one or more Lease Events of Default shall have occurred and shall have continued for a period of 180 days or more or (b) the Equipment Notes shall have been accelerated pursuant to Section 8.02, the Owner Trustee or the Owner Participant may, at its option, give at least 30 days' prior irrevocable notice to the Loan Trustee that it will redeem (or purchase in lieu of redemption) all Equipment Notes then outstanding, which redemption or purchase shall be pursuant to Section 6.02 and concurrently with such notice, the Owner Trustee or the Owner Participant will deposit with the Loan Trustee an amount sufficient to redeem or purchase at the applicable Redemption Price determined consistently with the applicable provisions of Section 6.02 (including, without limitation, Swap Breakage Losses, if any, payable in respect of the Bank Equipment Notes in connection with any Indenture Event of Default that

is not a Lease Event of Default, but excluding Swap Breakage Losses, if any, payable in respect of the Bank Equipment Notes in connection with an Indenture Event of Default that is also a Lease Event of Default) all Equipment Notes then Outstanding and to pay the Loan Trustee all amounts then due it hereunder, which funds shall be held by the Loan Trustee as provided in Section 9.03. Upon the giving of such notice and the receipt by the Loan Trustee of such deposit, the Loan Trustee shall deem all instructions received from the Owner Trustee or the Owner Participant as having been given by the Loan Participants of 100% of the Outstanding principal amount of Equipment Notes for all purposes of this Indenture. If such notice is given, the Owner Trustee further agrees that it will, if necessary, deposit or cause to be deposited with the Loan Trustee, on or prior to the Business Day preceding the applicable Redemption Date, whether or not an Indenture Event of Default is then continuing, additional funds sufficient, when added to the funds already held by the Loan Trustee for such purpose, to redeem or purchase at the applicable Redemption Price on such Redemption Date all Equipment Notes then outstanding and to pay the Loan Trustee all amounts then due it hereunder. No Make-Whole Amount on the Pass Through Equipment Notes shall be payable by the Owner Trustee in connection with the redemption or the purchase of the Pass Through Equipment Notes pursuant to this Section. Upon the payment of all amounts by the Owner Trustee or the Owner Participant pursuant to this Section, the Loan Trustee shall transfer the Equipment Notes to the Owner Trustee.

(iii) It is further agreed and understood that if the Loan Trustee shall proceed to foreclose the Lien of this Agreement, it shall substantially simultaneously therewith, to the extent the Loan Trustee is then entitled to do so hereunder and under the Lease, and is not then stayed or otherwise prevented from doing so by operation of law, proceed (to the extent it has not already done so) to exercise one or more comparable or consistent remedies referred to in Section 15 of the Lease (but in any case, the exercise of such remedies shall be commercially reasonable); provided, that, if the Loan Trustee is stayed or otherwise prevented from exercising one or more of the remedies referred to in Section 15 of the Lease, the Loan Trustee shall not, if and so long as such stay or other prohibition shall remain in effect, foreclose the Lien of this Agreement (A) for a period of 60 days after the date of the order for relief in a chapter 11 case of the Company under the Bankruptcy Code unless the Company elects to return the Aircraft or to permit the repossession of the Aircraft before the expiration

of such 60-day period and the Loan Trustee actually repossesses the Aircraft; (B) for so long as the Company has agreed with the approval of the relevant court to perform the Lease in compliance with the requirements of Section 1110(a) of the Bankruptcy Code and so long after such agreement as no Event of Default shall have occurred and be continuing that relates to the performance of the Lease (other than an Event of Default set forth in Section 14(g), (h) or (i) of the Lease), provided that no such Event of Default shall be deemed to occur earlier than the expiration of the 30-day period referred to in Section 1110(a)(2)(B)(i) of the Bankruptcy Code, as such period may be extended with the approval, if required, of the Loan Trustee; (C) for so long as the 60-day period specified in Section 1110(b) of the Bankruptcy Code is extended pursuant to Section 1110(b) of the Bankruptcy Code with the consent of the Loan Trustee; (D) for such longer period of time after the expiration of the 60-day period referred to in, and as extended pursuant to, the preceding clause (C) (the "Period") that the issue of the applicability of Section 1110 to the Aircraft and Lease being disputed by the Company or the Owner Trustee or is subject to judicial determination or pending appeal, provided that such longer period of time shall not extend beyond 6 months after the Period unless there shall not be continuing any default by the Company in the payment of Basic Rent, other than a default as to which the 30-day period referred in, and as extended pursuant to, the preceding clause (B) has not expired (it being understood that if the Owner Trustee or the Owner Participant cures any such default, such cure shall not be considered an exercise of Lessor's cure rights for purposes of determining the number of cures permitted under Section 8.03(e)(i) hereof); or (E) from and after the Company's assumption with the approval of the relevant court of the Lease pursuant to Section 365 of the Bankruptcy Code and so long after such assumption as no Event of Default shall have occurred and be continuing that relates to the performance of the Lease (other than an Event of Default set forth in Section 14(g), (h) or (i) of the Lease), and other than a default as to which the 30-day period referred to in, and as extended pursuant to, the preceding clause (B) has not expired; provided, however, that if such assumption is in connection with an assignment of the Company's interest in the Lease pursuant to Section 365(f) of the Bankruptcy Code, this clause (E) shall have no effect unless the Loan Trustee has agreed that it has received adequate assurance of future performance as set forth in Section 365(f)(2)(B) of the Bankruptcy Code or (F) for so long as the Lessee retains possession of the Aircraft, the Airframe or any Engine even

though such retention of possession is not attributable to the Lessee being in compliance with the provisions of Section 1110 of the Bankruptcy Code and the Loan Trustee agrees to (without the consent of the Owner Trustee and despite the ability of the Owner Trustee, or the Loan Trustee as the assignee of the Owner Trustee's rights, under applicable law, to repossess the Aircraft, Airframe or Engine) such retention of possession of the Aircraft, Airframe or Engine. For the avoidance of doubt, it is expressly understood and agreed that, subject to the immediately preceding sentence, the above-described inability of the Loan Trustee to exercise any right or remedy under the Lease shall in no event and under no circumstances prevent the Loan Trustee from exercising all of its rights, powers and remedies under this Agreement, including, without limitation, this Article 8. References in this subsection (iii) to particular sections of the Bankruptcy Code as in effect on the date of the amendment and restatement of this Indenture shall include any substantially similar successor provisions.

(f) The Owner Trustee and the Loan Trustee acknowledge and agree that, notwithstanding any provision of this Agreement to the contrary, including, without limitation, the Granting Clause, Section 4.01 and Article 8, as long as no Lease Event of Default shall have occurred and be continuing, neither the Loan Trustee nor the Owner Trustee shall take any action contrary to, or disturb the Company's rights under, the Lease, including, without limitation, (x) the right to receive all monies due and payable to it in accordance with the provisions of the Lease and (y) the Company's rights to possession and use of, and to quiet enjoyment of, the Aircraft.

(g) Each and every right, power and remedy herein given to the Loan Trustee specifically or otherwise in this Agreement shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the

Owner Trustee or the Company or to be an acquiescence therein.

(h) Notwithstanding anything contained herein, so long as the Pass Through Trustee is the registered holder of any Equipment Note hereunder, the Loan Trustee is not authorized or empowered to acquire title to all or any portion of the Indenture Estate (including the property subject to the Lien of this Indenture) or take any action with respect to all or any portion of the Indenture Estate (including the property subject to the Lien of this Indenture) so acquired by it if such acquisition or action would cause any Pass Through Trust to fail to qualify as a "grantor trust" for federal income tax purposes.

Section 8.04. Waiver of Owner Trustee. A delay or omission by the Loan Trustee or any Loan Participant in exercising any right or remedy accruing upon an Indenture Event of Default under this Agreement shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

Section 8.05. Waiver of Existing Defaults. The Loan Participants owning a majority in aggregate principal amount of the Outstanding Equipment Notes by notice to the Loan Trustee may waive on behalf of the Loan Participants an existing Indenture Default or Indenture Event of Default and its consequences except (i) an Indenture Default or Indenture Event of Default in the payment of the principal of, or interest on, any Equipment Note or (ii) in respect of a covenant or provision hereof that pursuant to Section 11.02 cannot be amended or modified without the consent of each Loan Participant affected thereby.

Section 8.06. Control by Majority. Loan Participants owning a majority in aggregate unpaid principal amount of the Outstanding Equipment Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Loan Trustee or exercising any trust or power conferred on it by this Agreement. However, the Loan Trustee may refuse to follow any direction that conflicts with law, the Lease or this Agreement, that is unduly prejudicial to the rights of the Loan Participants so affected, or that would subject the Loan Trustee to personal liability.

Section 8.07. Limitation on Suits by Loan Participants. A Loan Participant may pursue a remedy under this Agreement or under an Equipment Note only if:

(1) the Loan Participant gives to the Loan Trustee written notice of a continuing Indenture Event of Default under this Agreement;

(2) Loan Participants owning at least 25% in aggregate principal amount of the outstanding Equipment Notes make a written request to the Loan Trustee to pursue the remedy;

(3) such Loan Participant or Loan Participants offer to the Loan Trustee indemnity satisfactory to the Loan Trustee against any loss, liability or expense to be, or which may be, incurred by the Loan Trustee in pursuing the remedy;

(4) the Loan Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; and

(5) during such 60-day period, Loan Participants owning a majority in aggregate principal amount of the Outstanding Equipment Notes do not give the Loan Trustee a direction inconsistent with the request.

A Loan Participant may not use this Agreement to prejudice the rights of another Loan Participant or to obtain a preference or priority over another Loan Participant.

Section 8.08. Rights of Loan Participants to Receive Payment. Notwithstanding any other provision of this Agreement, the right of any Loan Participant to receive payment of principal of, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on an Equipment Note on or after the respective due dates expressed in such Equipment Note, to bring suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such Loan Participant.

## ARTICLE 9

### LOAN TRUSTEE

Section 9.01. Rights and Duties of Loan Trustee. (a) The Loan Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Loan Trustee need not investigate any fact or matter stated in the document.

(b) Before the Loan Trustee acts or refrains from acting, it may consult with counsel or require an Officers' Certificate or an Opinion of Counsel from the Company or the Owner Trustee after which it will take such action or refrain from acting as it deems appropriate. The Loan Trustee shall not be liable for any action it takes or omits to take in good faith and in accordance herewith in reliance on a resolution of the Board of Directors of the Company, the written advice of counsel acceptable to the Owner Trustee, the Company and the Loan Trustee, officer's certificates or opinions of counsel provided by the Company or the Owner Trustee.

(c) The Loan Trustee may act through agents and shall not be responsible for the misconduct or negligence of any such agent appointed with due care; provided that, so long as no Lease Event of Default shall have occurred and be continuing, no such agents shall be appointed by the Loan Trustee without the consent of the Company and the Owner Trustee, which consent shall, in each case, not be unreasonably withheld.

(d) The Loan Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers.

(e) The Loan Trustee may refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense.

(f) Subject to the provisions of Section 9.03, the Loan Trustee shall not be liable for interest on any money received by it except as the Loan Trustee may otherwise agree in writing with the Company. Money held in trust by the Loan Trustee need not be segregated from other funds except to the extent required by law.

(g) If an Indenture Event of Default under this Agreement has occurred and is continuing, the Loan Trustee shall exercise its rights and powers under this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(h) Except during the continuance of an Indenture Event of Default:

(1) The Loan Trustee need perform only those duties that are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Loan Trustee.

(2) In the absence of bad faith on its part, the Loan Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Loan Trustee and conforming to the requirements of this Agreement. However, the Loan Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this Agreement.

(i) The Loan Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (h) of this Section.

(2) The Loan Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer or officers, unless it shall be proved that the Loan Trustee was negligent in ascertaining the pertinent facts.

(3) The Loan Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with the direction received by it pursuant to Section 8.06.

(j) Every provision of this Agreement that in any way relates to the Loan Trustee is subject to paragraphs (g), (h) and (i) of this Section.

Section 9.02. Individual Rights of Loan Trustee. The Loan Trustee in its individual or any other capacity may become the owner or pledgee of Equipment Notes and may otherwise deal with the Owner Trustee, the Company or an Affiliate of the Owner Trustee or the Company or a subsidiary of the Owner Trustee or the Company with the same rights it would have if it were not the Loan Trustee. Any Agent may do the same with like rights.

Section 9.03. Funds May Be Held by Loan Trustee or Paying Agent; Investments. (a) Subject to paragraph (b) below, any monies (including for the purpose of this sub-

section 9.03 any cash deposited with the Loan Trustee or Permitted Investments purchased by the use of such cash pursuant to this subsection 9.03 or any cash constituting the proceeds of the maturity, sale or other disposition of any Permitted Investment) held by the Loan Trustee or the Paying Agent hereunder as part of the Indenture Estate, until paid out by the Loan Trustee or the Paying Agent as herein provided, at any time and from time to time, at the request of the Owner Trustee, shall be invested and reinvested in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Trustee in trust as part of the Indenture Estate until so sold. Unless otherwise expressly provided in this Agreement, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any such Permitted Investment, net of the Loan Trustee's reasonable fees and expenses in making such Permitted Investment, shall be held and applied by the Loan Trustee in the same manner as the principal amount of such Permitted Investment is to be applied and any loss realized upon maturity, sale or other disposition of any such Permitted Investment shall be charged against the principal amount invested.

(b) Notwithstanding anything to the contrary contained in paragraph (a) above, any amounts held by the Loan Trustee or the Paying Agent hereunder as a part of the Indenture Estate, until paid out by the Loan Trustee or the paying Agent as herein provided, which are either (i) amounts held pursuant to Section 25 of the Lease or (ii) amounts held under Section 6.01(b)(1) in connection with termination of the Lease pursuant to Section 9(a) of the Lease, at any time and from time to time, so long as no Lease Event of Default shall have occurred and be continuing, at the request (given directly by the Company to the Loan Trustee) of the Company acting as the agent of the Owner Trustee, shall be invested and reinvested in Permitted Investments as specified in such request (if such investments are reasonably available for purchase) and sold, in any case at such prices, including accrued interest, or its equivalent, as are set forth in such request, and such Permitted Investments shall be held by the Loan Trustee in trust as a part of the Indenture Estate until so sold; provided that the Company, on behalf of the Owner Trustee, as agent of the Owner Trustee, shall upon demand pay to the Loan Trustee the amount of any loss realized upon maturity, sale or other disposition of any such Permitted Investment

and, so long as no Lease Event of Default shall have occurred and be continuing, be entitled to receive from the Loan Trustee, and the Loan Trustee shall promptly pay to the Company, on behalf of the Owner Trustee, any profit, income, interest, dividend or gain realized upon maturity, sale or other disposition of any such Permitted Investment. If any Lease Event of Default shall have occurred and be continuing, any net income, profit, interest, dividend or gain realized upon maturity, sale or other disposition of any Permitted Investment made pursuant to this paragraph (b) shall be held as part of the Indenture Estate and shall be applied by the Loan Trustee at the same time, on the same conditions and in the same manner as the amounts in respect of which such income, profit, interest, dividend or gain was realized are required to be distributed in accordance with the provisions hereof or of the Lease pursuant to which such amounts were required to be held.

(c) The Loan Trustee shall not be responsible for any losses on any investments or sales of Permitted Investments made pursuant to the procedure specified in this Section.

Section 9.04. Notice of Defaults. If an Indenture Event of Default under this Agreement occurs and is continuing and if it is actually known to a Responsible officer of the Loan Trustee, the Loan Trustee shall (i) promptly send written notice thereof to the Company, each Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant and (ii) within 90 days after it occurs, mail to each Loan Participant notice of all uncured Indenture Events of Default under this Agreement. Except in the case of a default in the payment of the principal of, Swap Breakage Losses, if any, or interest on any Equipment Note, the Loan Trustee shall be protected in withholding the notice required under clause (ii) above if and so long as the executive committee or trust committee of directors of the Loan Trustee and/or Responsible Officers thereof in good faith determines that withholding such notice is in the interest of the Loan Participants. In addition, if an Indenture Default occurs and is continuing and if it is actually known to a Responsible Officer of the Loan Trustee, the Loan Trustee shall promptly send written notice thereof to the Company, each Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant; provided that, with respect to any payment Indenture Default, the Loan Trustee shall send such notice no later than five days after a Responsible Officer of the Loan Trustee obtains actual knowledge thereof.

Section 9.05. Compensation and Indemnity. (a) The Owner Trustee shall pay to the Loan Trustee, from time to time, on demand, (i) reasonable compensation for its services, which compensation shall not be limited by any law on compensation of a trustee of an express trust, (ii) reimbursement for all reasonable out-of-pocket expenses incurred by the Loan Trustee in connection with the performance of its duties under this Agreement (including the reasonable compensation and expenses of the Loan Trustee's counsel and any agent appointed in accordance with Section 9.01(c)) and (iii) indemnification against any loss or liability incurred by it arising out of or in connection with its acceptance or administration of the trust or trusts hereunder except (A) as such expenses or loss or liability might result from the negligence or willful misconduct of the Loan Trustee or the inaccuracy of any representation or warranty of the Loan Trustee in its individual capacity in Section 9 of the Refunding Agreement, (B) as otherwise provided in Section 9.09 and (C) as otherwise excluded by the terms of Sections 7(b) and 7(c) of the Participation Agreement from the Company's indemnities under said Sections; provided that, so long as the Lease is in effect, the Loan Trustee shall not make any claim under this Section 9.05 for any claim or expense indemnified against by the Company under the Participation Agreement without first making demand on the Company for payment of such claim or expense. The Loan Trustee shall notify the Owner Trustee and the Company promptly of any claim for which it may seek indemnity. The Owner Trustee shall have the right to defend the claim and the Loan Trustee shall cooperate in the defense. The Loan Trustee may have separate counsel and the Owner Trustee, subject to limitations set forth in the third preceding sentence, shall pay the reasonable fees and expenses of such counsel. The Owner Trustee need not pay for any settlement made without its and the Company's consent. If the Owner Trustee is required to make any payment under this Section 9.05(a), it shall be subrogated to the rights of the Loan Trustee with respect thereto.

(b) To secure the payment obligations of the Owner Trustee pursuant to this Section 9.05, the Loan Trustee shall have a Lien prior to that of the Loan Participants on all money or property held or collected by the Loan Trustee, except that held in trust to pay the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, or interest on particular Equipment Notes.

Section 9.06. Replacement of Loan Trustee. (a) The resignation or removal of the Loan Trustee and the appointment of a successor Loan Trustee shall become effective only upon the successor Loan Trustee's acceptance of appointment as provided in this Section.

(b) The Loan Trustee may resign by giving at least 30 days' prior written notice to the Company and the Owner Trustee. Loan Participants holding a majority in aggregate principal amount of the Outstanding Equipment Notes may remove the Loan Trustee by giving at least 30 days' prior written notice to the Loan Trustee, the Owner Trustee, the Owner Participant and the Company and may appoint a successor Loan Trustee for such Equipment Notes so long as no Indenture Event of Default shall have occurred and be continuing with the Owner Trustee's and the Company's consent. The Owner Trustee (acting pursuant to instructions from the Company) may remove the Loan Trustee if:

(1) the Loan Trustee fails to comply with Section 9.08 hereof (or, as long as State Street Bank and Trust Company of Connecticut, National Association shall be the Loan Trustee, the requirement set forth in Section 9.08 hereof specifically applicable to such institution);

(2) the Loan Trustee is adjudged a bankrupt or an insolvent;

(3) a receiver or public officer takes charge of its property; or

(4) the Loan Trustee becomes incapable of acting.

(c) If the Loan Trustee resigns or is removed, or if a vacancy exists in the office of Loan Trustee for any reason and a new Loan Trustee has not been appointed pursuant to Section 9.06(b), the Owner Trustee shall promptly appoint a successor Loan Trustee.

(d) If a successor Loan Trustee does not take office within 30 days after the retiring Loan Trustee resigns or is removed, the retiring Loan Trustee, the Company, the Owner Trustee or Loan Participants holding a majority in aggregate principal amount of the Outstanding Equipment Notes may petition any court of competent jurisdiction for the appointment of a successor Loan Trustee.

(e) If the Loan Trustee fails to comply with Section 9.08, any Loan Participant may petition any court of competent jurisdiction for the removal of such Loan Trustee and the appointment of a successor Loan Trustee.

(f) A successor Loan Trustee shall deliver a written acceptance of its appointment to the retiring Loan Trustee, to the Company and to the Owner Trustee. Thereupon, the resignation or removal of the retiring Loan Trustee shall become effective, and the successor Loan Trustee shall have all the rights, powers and duties of the retiring Loan Trustee for which the successor Loan Trustee is to be acting as Loan Trustee under this Agreement. The retiring Loan Trustee shall promptly transfer all property and all books and records relating to the administration of the Indenture Estate held by it as Loan Trustee to the successor Loan Trustee subject to the Lien provided for in Section 9.05. The Owner Trustee shall give notice of each appointment of a successor Loan Trustee if there are Equipment Notes outstanding, by mailing written notice of such event by first-class mail to the Loan Participants.

(g) All provisions of this Section 9.06 except subparagraphs (b)(1) and (e) and the words "subject to the Lien provided for in Section 9.05" in subparagraph (f) shall apply also to any Paying Agent.

Section 9.07. Successor Loan Trustee, Agents by Merger, Etc. If the Loan Trustee or any Agent consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business assets to, another corporation, the successor corporation, without any further act, shall be the successor Loan Trustee or Agent, as the case may be.

Section 9.08. Eligibility; Disqualification. This Agreement shall at all times have a Loan Trustee which shall be a bank or trust company and have a combined capital and surplus of at least \$100,000,000 (or having a combined capital and surplus in excess of \$5,000,000 (or, as long as State Street Bank and Trust Company of Connecticut, National Association shall be the Loan Trustee, \$3,000,000) and the obligations of which, whether now in existence or hereafter incurred, are fully and unconditionally guaranteed by a corporation organized and doing business under the laws of the United States, any State or Territory thereof or of the District of Columbia and having a combined capital and surplus of at least \$100,000,000) and which shall be a "citizen of the United States" as defined in 49 U.S.C. Section 40102. If

such corporation publishes reports of conditions at least annually, pursuant to law or to the requirements of Federal, State, Territorial or District of Columbia supervising or examining authority, then for the purposes of this Section 9.08, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

In case at any time the Loan Trustee shall cease to be eligible in accordance with the provisions of this Section 9.08, the Loan Trustee shall resign immediately in the manner and with the effect specified in Section 9.06.

Section 9.09. Trustee's Liens. The Loan Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full all Liens ("Trustee's Liens") on the Indenture Estate which are either (i) attributable to the Loan Trustee in its individual capacity and which are unrelated to the transactions contemplated by the Operative Documents, or (ii) attributable to the Loan Trustee as trustee hereunder or in its individual capacity and which arise out of acts or omissions by it which are contrary to the terms of this Agreement.

Section 9.10. Withholding Taxes; Information Reporting. The Loan Trustee shall exclude and withhold from each distribution of principal, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest and other amounts due hereunder or under the Equipment Notes any and all withholding taxes applicable thereto as required by law. The Loan Trustee agrees (i) to act as such withholding agent and, in connection therewith, whenever any present or future taxes or similar charges are required to be withheld with respect to any amounts payable in respect of the Equipment Notes, to withhold such amounts and timely pay the same to the appropriate authority in the name of and on behalf of the Loan Participants, (ii) that it will file any necessary withholding tax returns or statements when due and (iii) that, as promptly as possible after the payment of such amounts, it will deliver to each Loan Participant appropriate documentation showing the payment of such amounts, together with such additional documentary evidence as such Loan Participants may reasonably request from time to time. The Loan Trustee agrees to file any other information reports as it may be required to file under United States law.

## ARTICLE 10

SATISFACTION AND DISCHARGE; DEFEASANCE;  
TERMINATION OF OBLIGATIONS

Section 10.01. Satisfaction and Discharge of Agreement; Defeasance; Termination of Obligations. Subject to Section 10.02, this Agreement shall cease to be of further effect, and the Owner Trustee and the Loan Trustee shall, except as herein provided, be deemed to have been discharged from their respective obligations with respect to the Equipment Notes (and the Loan Trustee, on demand and at the expense of the Owner Trustee, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture in respect of the Equipment Notes), when

(a) (i) all Equipment Notes theretofore Notes executed and delivered (other than (A) Equipment Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.06 and (B) Equipment Notes for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been delivered to the Loan Trustee for cancellation;

(ii) all Equipment Notes not theretofore delivered to the Loan Trustee for cancellation have become due and payable (whether upon stated maturity, as a result of redemption or upon acceleration), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of the deposit referred to below) at maturity within one year, and there has been deposited with the Loan Trustee in trust for the purpose of paying and discharging the entire indebtedness on the Equipment Notes not theretofore canceled by the Loan Trustee or delivered to the Loan Trustee for cancellation, an amount in cash sufficient without reinvestment thereof to discharge such indebtedness, including the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes to the date of such deposit (in the case of Equipment Notes which have become due and payable), or to the maturity thereof, as the case may be; or

(iii) (A) the Owner Trustee has deposited or caused to be deposited irrevocably (except as provided

in Section 10.04) with the Loan Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Loan Participants, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this clause) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Loan Trustee, to pay and discharge each installment of principal of, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments of principal or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of such deposit), and no Lease Event of Default under any of Sections 14(f) through 14(i) of the Lease shall have occurred and be continuing on the date of such deposit or at any time during the period ending on the 91st day after such date; provided, however, that, upon the making of the deposit referred to above in clause (A), the right of the Owner Trustee or the Company to cause the redemption of Equipment Notes (except a redemption in respect of which irrevocable notice has theretofore been given) shall terminate;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default under, this Agreement or a default or event of default under any other agreement or instrument to which the Owner Trustee or the Company is a party or by which it is bound; and

(C) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Loan Participants will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise by the Owner Trustee of its option under this Section 10.01(a)(iii) and will be subject to Federal income tax on the same amount and in the same manner

and at the same times as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable hereunder have been paid; and

(c) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Agreement contemplated by this Section 10.01 have been complied with.

Section 10.02. Survival of Certain Obligations.

Notwithstanding the provisions of Section 10.01, the obligations of the Owner Trustee and the Loan Trustee contained in Sections 2.01 through 2.08, Section 7.01, Section 9.10, Section 10.03 and Section 10.04 and the rights, duties, immunities and privileges hereunder of the Loan Trustee shall survive.

Section 10.03. Monies to Be Held in Trust. All monies and

U.S. Government Obligations deposited with the Loan Trustee pursuant to Section 10.01 shall be held in trust and applied by it, in accordance with the provisions of the Equipment Notes and this Indenture, to the payment either directly or through any Paying Agent as the Loan Trustee may determine, to the Loan Participants, of all sums due and to become due thereon for principal, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest, but such money need not be segregated from other funds except to the extent required by law.

Section 10.04. Monies to Be Returned to Owner Trustee. The

Loan Trustee and any Paying Agent shall promptly pay or return to the Owner Trustee upon request of the Owner Trustee any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 for which money or U.S. Government Obligations have been deposited pursuant to Section 10.01.

ARTICLE 11

AMENDMENTS AND WAIVERS

Section 11.01. Amendments to This Agreement Without Consent of

Loan Participants. The Owner Trustee and the

Loan Trustee may enter into one or more agreements supplemental hereto without the consent of any Loan Participant for any of the following purposes:

(1) (a) to cure any defect or inconsistency herein or in the Equipment Notes, or to make any change not inconsistent with the provisions hereof ( provided that such change does not adversely affect the interests of any Loan Participant) or (b) to cure any ambiguity or correct any mistake;

(2) to evidence the succession of another party as the Owner Trustee in accordance with the terms of the Trust Agreement or to evidence (in accordance with Article 9) the succession of a new trustee hereunder, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees;

(3) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the Loan Participants;

(4) to correct or amplify the description of any property at any time subject to the Lien of this Agreement or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Agreement or to subject to the Lien of this Agreement the Airframe or Engines or airframe or engines substituted for the Airframe or Engines in accordance herewith or with the Lease; provided that Trust Agreement and Indenture Supplements entered into for the purpose of subjecting to the Lien of this Agreement the Airframe or Engines in accordance with the Lease need only be executed by the Owner Trustee;

(5) to add to the covenants of the Owner Trustee for the benefit of the Loan Participants, or to surrender any rights or power herein conferred upon the Owner Trustee, the Owner Participant or the Company;

(6) to add to the rights of the Loan Participants;

(7) to provide for the assumption by the Company of the obligations of the Owner Trustee hereunder in accordance with the terms and conditions applicable thereto specified in Section 7.03 hereof, including, without limitation, such amendments to Exhibit D hereof as may be necessary or desirable in order to effectuate such assumption and accomplish the purposes thereof; or

(8) to include on the Equipment Notes any legend as may be required by law.

Section 11.02. Amendments to This Agreement with Consent of Loan Participants. (a) With the written consent of Loan Participants owning a majority of the aggregate principal amount of the Outstanding Equipment Notes, the Owner Trustee and the Loan Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Agreement or of any such supplemental agreements or to modify the rights of the Loan Participants; provided, however, that, without the consent of each Loan Participant affected thereby, an amendment under this Section 11.02 may not:

(1) reduce the principal amount of, any Installment Payment Amount payable with respect to, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note; or

(2) change the date on which any principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, is due or payable; or

(3) create any Lien on the Indenture Estate prior to or pari passu with the Lien thereon under this Agreement except such as are permitted by this Agreement, or deprive any Loan Participant of all or any part of the benefit of the Lien on the Indenture Estate created by this Agreement; or

(4) reduce the percentage in principal amount of the Outstanding Equipment Notes, the consent of whose holders is required for any such supplemental agreement, or the consent of whose holders is required for any waiver (of compliance with certain provisions of this Agreement or of certain defaults hereunder or their consequences) provided for in this Agreement; or

- (5) make any change in Section 8.05, 8.08 or this Section 11.02(a); or
- (6) change the definition of "Indenture Estate" or the amounts secured thereby.

(b) It is not necessary under this Section 11.02 for the Loan Participants to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Owner Trustee, the Company and the Loan Trustee of any supplemental agreement pursuant to the provisions of this Section 11.02, the Owner Trustee shall transmit by first-class mail a notice, setting forth in general terms the substance of such supplemental agreement, to all Loan Participants, as the names and addresses of such Loan Participants appear on the Register. Any failure of the Owner Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 11.03. Revocation and Effect of Consents. The Owner Trustee may at its option by delivery of an Officers' Certificate to the Loan Trustee set a record date to determine the Loan Participants entitled to give any consent, request, demand, authorization, direction, notice, waiver or other act. Such record date shall be the record date specified in such Officers' Certificate which shall be a date not more than 30 days prior to the first solicitation of Loan Participants in connection therewith. If such a record date is fixed, such consent, request, demand, authorization, direction, notice, waiver or other act may be given before or after such record date, but only the Loan Participants of record at the close of business on such record date shall be deemed to be Loan Participants for the purposes of determining whether Loan Participants holding the requisite proportion of Outstanding Equipment Notes have authorized or agreed or consented to such consent, request, demand, authorization, direction, notice, waiver or other act, and for that purpose the Outstanding Equipment Notes shall be computed as of such record date; provided that no such consent, request, demand, authorization, direction, notice, waiver or other act by the Loan Participants on such record date shall be deemed effective unless it shall become effective pursuant to the provisions of this Agreement not later than one year after the record date.

Section 11.04. Notation on or Exchange of Equipment Notes.

The Loan Trustee may place an appropriate notation about an amendment or waiver on any Equipment Note thereafter executed. The Loan Trustee in exchange for such Equipment Notes may execute new Equipment Notes that reflect the amendment or waiver.

Section 11.05. Loan Trustee Protected. The Loan Trustee need

not sign any supplemental agreement that adversely affects its rights, duties, immunities or indemnities.

Section 11.06. Amendments, Waivers, Etc. of Other Operative

Documents. (a) Without the consent of the Loan Participants holding a majority in principal amount of Outstanding Equipment Notes, the respective parties to the Participation Agreement, the Lease, the Trust Agreement and the Purchase Agreement Assignment may not modify, amend or supplement any of said agreements, or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or modifying in any manner the rights of the respective parties thereunder; provided, however, that the actions specified in subsection (b) of this Section 11.06 may be taken without the consent of the Loan Trustee or any Loan Participant.

(b) Subject to the provisions of subsection (c) of this

Section 11.06, the respective parties to the Participation Agreement, the Lease and the Trust Agreement, at any time and from time to time without the consent of the Loan Trustee or of any Loan Participant, may:

(1) so long as no Indenture Event of Default shall have

occurred and be continuing, modify, amend or supplement the Lease, or give any consent, waiver, authorization or approval with respect thereto, except that without compliance with subsection (a) of this Section 11.06 the parties to the Lease shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Lease as in effect on the Refunding Date: Section 2, Section 3(a) (if the result thereof would be to shorten the Term of the Lease to a period shorter than the period ending with the latest Maturity Date of any

Equipment Notes), Section 3(b), Section 3(c) (except to the extent such Section relates to amounts payable (whether directly or pursuant to the Indenture) to Persons other than the Loan Participants and the Loan Trustee in its individual capacity), Section 3(d) (except insofar as it relates to the address or account information of the Owner Trustee or the Loan Trustee) (other than as such Sections 3(a) through 3(d) may be amended pursuant to Section 3(e) of the Lease in effect on the Refunding Date), Section 4, Section 6, Section 9 (except that further restrictions may be imposed on the ability of the Company to terminate the Lease with respect to the Aircraft or an Engine), Section 10 (except that additional requirements may be imposed on the Company), Section 11 (except for Section 11(d) and except that additional insurance requirements may be imposed on the Company), Section 12 (except in order to increase the Company's liabilities or enhance the Lessor's rights thereunder), Section 13 (except in the case of an assignment by the Lessor in circumstances where the Aircraft shall remain registrable under the Federal Aviation Act), Section 14 (except to impose additional or more stringent Lease Events of Default), Section 15 (except to impose additional remedies), Section 16, Section 17 (except to impose additional requirements on the Company), Section 19, Section 22, Section 25 and any definition of terms used in the Lease, to the extent that any modification of such definition would result in a modification of the Lease not permitted pursuant to this subsection (b); provided that, in the event an Indenture Event of Default shall have occurred and be continuing, the Loan Trustee shall have all rights of the Owner Trustee as "Lessor" under the Lease to modify, amend or supplement the Lease or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the "Lessor" thereunder; provided further that, without the prior consent of the Owner Trustee, and whether or not an Indenture Event of Default shall have occurred and be continuing, no such action shall be taken with respect to any of the provisions of Sections 1 (to the extent any modification of a definition contained therein would result in a modification of the Lease not permitted by this proviso), 3, 5, 6 (to the extent such action would reduce the Company's obligations), 7, 8, 9, 10, 11 (except to increase the amounts or types of insurance the Company

must provide thereunder at its expense), 12, 13, 14, 15, 17 (insofar as it relates to the Lessor), 19, 20 and 28 of the Lease, or any other section of the Lease to the extent such action shall affect the amount or timing of any amounts payable by the Company under the Lease as originally executed (or as subsequently modified with the consent of the Owner Trustee) which, absent the occurrence and continuance of an Indenture Event of Default, would be distributable to the Owner Trustee under Article 3 or otherwise materially and adversely affects the rights of the Owner Trustee or the Owner Participant; and provided further that the parties to the Lease may take any such action without the consent of the Loan Trustee or any Loan Participant to the extent such action relates to the payment of amounts constituting, or the Owner Trustee's, the Owner Participant's or the Company's rights or obligations with respect to, Excepted Property;

(2) modify, amend or supplement the Trust Agreement, or give any consent, waiver, authorization or approval with respect thereto, in each case only to the extent any such action shall not adversely impact the interests of the Loan Participants;

(3) modify, amend or supplement the Participation Agreement, or give any consent, waiver, authorization or approval with respect thereto, except that without the consent of the Loan Participants holding a majority in principal amount of Outstanding Pass Through Equipment Notes, the parties to the Participation Agreement shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Participation Agreement as in effect on the Refunding Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants holding the Pass Through Equipment Notes), Section 8, Sections 9(b) through 9(d), Section 10, Section 13, Section 16(b) and, to the extent the Loan Participants holding the Pass Through Equipment Notes would be adversely affected thereby, Section 16(c) and Section 17 and any definition of terms used in the Participation Agreement, to the extent that any modification of such definition would result in a modification of the Par-

Participation Agreement not permitted pursuant to this subsection (b);

(4) modify, amend or supplement any of said agreements in order to cure any ambiguity, to correct or supplement any provisions thereof which may be defective or inconsistent with any other provision thereof or of any provision of this Indenture, or to make any other provision with respect to matters or questions arising thereunder or under this Agreement which shall not be inconsistent with the provisions of this Agreement, provided the making of any such other provision shall not adversely affect the interests of the Loan Participants unless such provision corrects a mistake or cures an ambiguity; and

(5) any indemnities solely in favor of the Owner Participant or any member of its Related Indemnatee Group may be modified, amended or supplemented in such manner as shall be agreed by the Owner Participant and the Lessee.

(c) No modification, amendment, supplement, consent, waiver, authorization or approval with respect to the Lease or the Participation Agreement, whether effected pursuant to subsection (a) or pursuant to subsection (b) of this Section 11.06 and anything in such subsections or elsewhere in this Agreement to the contrary notwithstanding, shall, without the consent of each Loan Participant affected thereby,

(1) modify, amend or supplement the Lease in such a way as to extend the time of payment of Basic Rent or Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss or Stipulated Loss Value or any other amounts payable upon the occurrence of an Event of Loss or Termination Value and any other amounts payable upon termination of the Lease with respect to the Aircraft, payable under, or as provided in, the Lease in effect on the Refunding Date, or reduce the amount of any installment of Basic Rent or Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss as in effect on the Refunding Date so that the same is less than the payment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, and interest on the Equipment Notes, as the case may be, to be made from such installment of Basic Rent or Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage

Loss, or reduce the aggregate amount of Stipulated Loss Value or Swap Breakage Loss or any other amounts payable under, or as provided in, the Lease as in effect on the Refunding Date upon the occurrence of an Event of Loss so that the same is less than the accrued interest on and principal as of the Lease Loss Payment Date, and Make-Whole Amount, if any, or Swap Breakage Loss, if any, of the Equipment Notes at the time Outstanding or reduce the amount of Termination Value and any other amounts payable under, or as provided in, the Lease as in effect on the Refunding Date upon termination of the Lease with respect to the Aircraft so that the same is less than the accrued interest on and principal as of the Lease Termination Date and Make-Whole Amount, if any, or Swap Breakage Loss, if any, of Equipment Notes at the time Outstanding, or

(2) modify, amend or supplement the Lease in such a way as to, or consent to any assignment of the Lease or give any consent, waiver, authorization or approval which would, release the Company from its obligations in respect of payment of Basic Rent, Supplemental Rent payable in respect of the Make-Whole Amount or Swap Breakage Loss or Stipulated Loss Value and any other amounts payable upon the occurrence of an Event of Loss, or Termination Value and any other amounts payable upon termination of the Lease with respect to the Aircraft, payable under, or as provided in, the Lease as in effect on the Refunding Date, except for any such assignment pursuant to Section 13(E) of the Participation Agreement, and except as provided in the Lease as in effect on the Refunding Date.

## ARTICLE 12

### MISCELLANEOUS

Section 12.01. Notices. (a) Unless otherwise specifically provided herein, all notices required or permitted by the terms of this Agreement shall be in English and in writing, and any such notice shall become effective upon being deposited in the United States mail with proper postage for first-class registered or certified mail prepaid, or when delivered personally, or, if promptly confirmed by mail as provided above, when dispatched by telegram, telex or other written telecommunication, addressed to any party to this Agreement at their respective addresses or telex numbers,

if to the Company, to:

American Airlines, Inc.  
P.O. Box 619616  
4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155

Attention: Senior Vice President-Finance

Telex: 73-0613  
Answerback: AMAIR-DFWDAL  
Facsimile: (817) 963-4318  
Telephone: (817) 963-1234

if to the Loan Trustee, to:

State Street Bank and Trust Company of  
Connecticut, National Association  
c/o State Street Bank and Trust Company  
Two International Place -- 4th Floor  
Boston, Massachusetts 02110

Attention: Corporate Trust Department  
(AA 1995 PTC Series AC)

Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

if to the Owner Trustee, to:

Wilmington Trust Company  
Rodney Square North  
Wilmington, Delaware 19890

Attention: Corporate Trust Administration  
(AA 1995 PTC Series AC)

Facsimile: (302) 651-8882  
Telephone: (302) 651-1000

if to the Owner Participant, to:

AT&T Holdings, Inc.  
c/o AT&T Capital Corporation  
44 Whippany Road  
Morristown, New Jersey 07960

Attention: Edward F. Gromek

Facsimile: (201) 397-4368  
Telephone: (201) 397-3000

(b) The Company, the Owner Trustee, the Loan Trustee or the Owner Participant by notice to the others may designate additional or different addresses for subsequent notices or communications.

(c) Any notice or communication to Loan Participants shall be mailed by first-class mail to the addresses for Loan Participants shown on the Register kept by the Registrar and to addresses filed with the Loan Trustee for other Loan Participants. Failure so to mail a notice or communication or any defect in such notice or communication shall not affect its sufficiency with respect to other Loan Participants.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it is conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Loan Participants, it shall mail a copy to the Loan Trustee and to each Paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Loan Trustee shall be deemed to be given only when received by a Responsible Officer of the Loan Trustee.

Section 12.02. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company or the Owner Trustee to the Loan Trustee to take any action under this Agreement, the Company or the Owner Trustee, as the case may be, shall furnish to the Loan Trustee:

(1) a certificate of a Responsible Company Officer or a Responsible Officer, as the case may be, stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Agreement relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent have been complied with;

except that in the case of any request or application as to which the furnishing of such documents is specifically required by any provision of this Agreement relating to such particular request or application, no additional certificate or Opinion of Counsel need be furnished pursuant to this Section 12.02.

Section 12.03. Rules by Loan Trustee and Agents. The Loan Trustee may make reasonable rules for action by or a meeting of Loan Participants. The Paying Agent or Registrar may make reasonable rules and set reasonable requirements for its functions.

Section 12.04. Non-Business Days. If any date scheduled for any payment of principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, interest or other amounts hereunder or under the Equipment Notes is not a Business Day, payment may be made at such place on the next succeeding day that is a Business Day, and no interest shall accrue for the intervening period; provided that, with respect to any payment of principal, interest or Swap Breakage Loss, if any, if by virtue of such extension the date of payment would fall in the next succeeding calendar month, then such sum shall be payable on the next preceding Business Day.

Section 12.05. GOVERNING LAW. THIS AGREEMENT AND THE EQUIPMENT NOTES HAVE BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 12.06. No Recourse Against Others. No director, officer, employee or stockholder, as such, of the Company, the Owner Trustee or the Owner Participant, as the case may be, shall have any liability for any obligations of the Company, the Owner Trustee or the Owner Participant, as the case may be, under this Agreement or for any claim based on, in respect of or by reason of such obligations or their

creation. Each Loan Participant by accepting an Equipment Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Equipment Notes.

Section 12.07. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one instrument.

Section 12.08. Indenture for Benefit of Owner Trustee, Loan Trustee, Owner Participant and Loan Participants. Nothing in this Indenture, whether express or implied, shall be construed to give to any Person other than the Owner Trustee, the Loan Trustee, the Owner Participant, the Company and the Loan Participants any legal or equitable right, remedy or claim under or in respect of this Indenture.

Section 12.09. Severability. Any provision of this Indenture which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 12.10. No Oral Modifications or Continuing Waivers. No terms or provisions of this Indenture or the Equipment Notes may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party or other person against whom enforcement of the change, waiver, discharge or termination is sought; and any waiver of the terms hereof or of any Equipment Note shall be effective only in the specific instance and for the specific purpose given.

Section 12.11. Successors and Assigns. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, each of the parties hereto and the successors and permitted assigns of each, all as herein provided. Any request, notice, direction, consent, waiver or other instrument or action by any Loan Participant shall bind the successors and assigns of such Loan Participant.

Section 12.12. Headings. The headings of the various Articles and Sections herein and in the table of contents hereto are for the convenience of reference only and shall not define or limit any of the terms or provisions hereof.

ARTICLE 13

ACTIONS TO BE TAKEN UPON TERMINATION OF LEASE

Section 13.01. Actions to Be Taken upon Termination of Lease.

Upon any of:

- (a) the voluntary termination of the Lease pursuant to Section 9(a) thereof on the Lease Termination Date, and upon payment to the Loan Trustee of an amount equal to the Redemption Price of all Outstanding Equipment Notes, or
- (b) the purchase of the Aircraft by the Company at its option pursuant to Section 9(e) of the Lease on the Lease Termination Date or pursuant to Section 20(b) of the Lease on the Special Purchase Option Date (unless the Company shall have elected to assume all of the rights and obligations of the Owner Trustee hereunder as provided for in Section 7.03), and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the applicable Redemption Date of all Outstanding Equipment Notes, or
- (c) the termination of the Lease, on the Lease Loss Payment Date, following an Event of Loss suffered by the Airframe under circumstances where the Company does not exercise its option to substitute a Replacement Airframe therefor pursuant to Section 10(a)(i) of the Lease, and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or
- (d) the satisfaction, discharge, defeasance and termination of the obligations under this Agreement in accordance with Section 10.01,

the Lien of this Agreement on the Indenture Estate shall terminate (except for the Lien on funds held by the Loan Trustee to pay the Equipment Notes or the Loan Trustee) and the Loan Trustee shall execute such instruments as may be

requested by the Company or the Owner Trustee to evidence such termination.

#### ARTICLE 14

##### ISSUANCE OF EQUIPMENT NOTES AFTER REDEMPTION

###### Section 14.01. Issuance of Equipment Notes After Redemption.

Following a redemption of the Equipment Notes of any Maturity in accordance with Section 6.01(b)(2) or 6.01(b)(3), the Owner Trustee, with the consent of the Company, may issue and sell, and the Loan Trustee shall authenticate and deliver, one or more new series of Equipment Notes in an aggregate principal amount up to the aggregate principal amount of the Equipment Notes then being redeemed and having such terms and provisions (including, without limitation, interest rate, amortization schedule, maturity date and redemption provisions) as the Owner Trustee shall deem appropriate and as shall be approved by the Company; provided that if after such redemption any Equipment Notes remain outstanding, the new series of Equipment Notes:

(i) shall be denominated and payable in United States Dollars and shall not be in a principal amount greater than the Equipment Notes redeemed;

(ii) shall not rank senior in any respect to the Equipment Notes which remain outstanding; and

(iii) shall not have a maturity after or have a weighted average life longer than the Equipment Notes redeemed if any of the Equipment Notes which remain outstanding have a maturity date after or concurrent with the maturity date of the Equipment Notes redeemed; and provided further that prior to authentication of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., and Moody's Investors Service, Inc. to the effect that the issuance of such new series, by itself, would not result in a downgrading of the credit rating (if any) assigned to the Pass Through Certificates then outstanding and (ii) an Opinion of Counsel for the Company reasonably satisfactory to the Loan Trustee to the effect that the protection afforded by Section 1110 of the Bankruptcy Code to the existing Loan Participants would not be adversely affected by the issuance of such new series of Equipment Notes;

provided that such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Loan Participants with respect to the Aircraft immediately prior to such assumption; and provided further that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date.

IN WITNESS WHEREOF, the Owner Trustee and the Loan Trustee have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

WILMINGTON TRUST COMPANY, not in its individual capacity except as expressly provided herein, but solely as Owner Trustee

By -----

Name:  
Title:

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, as Loan Trustee

By -----

Name:  
Title:

Form of Pass Through Equipment Notes  
[Installment Equipment Notes]\*

No. \_\_\_\_\_

\$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AC  
WILMINGTON TRUST COMPANY,  
Not in its Individual Capacity  
but Solely as Owner Trustee Under the  
Trust Agreement (AA 1992 AF-3)  
(Redesignated AA 1995 PTC Series AC)  
Dated as of August 1, 1992

Issued in connection with Aircraft N376AN  
Leased to  
AMERICAN AIRLINES, INC.

INTEREST RATE

MATURITY DATE

- - - - -

- - - - -

8.39%

[January 2, 2017]\*  
[----]\*\*

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-3) (redesignated AA 1995 PTC Series AC), dated as of August 1, 1992, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns the principal sum of \_\_\_\_\_ DOLLARS [in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above]\* [on the Maturity Date specified above]\*\* and to pay interest [on the original principal amount hereof remaining unpaid from time to time]\* [thereon]\*\* at the rate per annum specified

\* Include for Installment Equipment Notes only.

\*\* Include for all non-Installment Pass Through Equipment Notes.

(Series AC)

above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment [in full].\* In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Pass Through Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this Pass Through Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Loan Participant as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Loan Trustee is or shall be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Loan Trustee and the Owner Trustee, for any liability under the Indenture.

The interest [or Installment Payment Amount]\* so payable, and punctually paid or duly provided for, on or within 5 days after the applicable Interest Payment Date [or Installment Payment Date, as the case may be],\* will, as provided in the Indenture, be paid to the Person in whose name this Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on the Record Date for payment of such interest [or Installment Payment Amount],\* which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date [or Installment Payment Date, as the case may be].\* Any such interest [or Installment Payment Amount]\* not so punctually paid or duly provided for shall forthwith cease to be pay-

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\* Include for Installment Equipment Notes only.

able to the registered Loan Participant on such Record Date (or to the Person in whose name this Pass Through Equipment Note is registered upon issuance) and may be paid to the Person in whose name the Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on a Special Record Date for the payment of such [Defaulted Installment or]\* Defaulted Interest to be fixed by the Loan Trustee, notice whereof shall be given to Loan Participants entitled thereto not less than 10 days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Equipment Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, Make-Whole Amount, if any, and interest on this Pass Through Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest [and Installment Payment Amounts (other than that payable on the Maturity Date hereof)]\* may be made at the option of the Loan Trustee or the Paying Agent by check mailed to the address of the Loan Participant entitled thereto as such address shall appear on the Register.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03 of the Indenture.

This Pass Through Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Pass Through Equipment Note has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Loan Trustee by the manual signature of an authorized officer or

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\* Include for Installment Equipment Notes only.

signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions thereof, including a statement of the properties conveyed, pledged and assigned thereby, the nature and extent of the security thereby, the respective rights and obligations thereunder of the Owner Trustee, the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created thereby, to all of which terms and conditions therein each Loan Participant agrees by its acceptance of this Pass Through Equipment Note. Each holder hereof, by its acceptance of this Pass Through Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

[On each Installment Payment Date, the Loan Participant will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Pass Through Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
January 2, 2012	2.977530476%
January 2, 2013	16.166164040
January 2, 2014	16.773563267
January 2, 2015	20.872446162
January 2, 2016	22.622435543
July 2, 2016	0.598904133
January 2, 2017	19.988956378]*

As more fully provided in the Indenture, the Pass Through Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail and under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof,

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\* Include for Installment Equipment Notes only.

Make-Whole Amount, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an event of default constitutes an event of default by the Company under the Lease, the Loan Trustee may declare the Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease.

The right of the Loan Participant to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Pass Through Equipment Note is transferable, and upon surrender of this Pass Through Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the

Loan Participant or its attorney duly authorized in writing, one or more new Pass Through Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

THIS PASS THROUGH EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS PASS THROUGH EQUIPMENT NOTE WILL BE MADE UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH ACT DOES NOT APPLY.

The Pass Through Equipment Notes are issuable only as registered Equipment Notes. The Pass Through Equipment Notes are issuable in denominations of \$1,000 and integral multiples thereof except that one such Pass Through Equipment Note of each maturity does not need to be an integral multiple of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Pass Through Equipment Notes are exchangeable for an equal aggregate principal amount of Pass Through Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Pass Through Equipment Notes to be exchanged or transferred, as requested by the Loan Participant surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Pass Through Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Pass Through Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Pass Through Equipment Note and for all other purposes whatsoever whether or not this Pass Through Equipment Note be overdue, and neither the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS PASS THROUGH EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely  
as Owner Trustee

By \_\_\_\_\_  
[Title]

## LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

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(Series AC)

Form of Bank Equipment Notes

THIS BANK EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES OR SIMILAR LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE OR OTHERWISE DISPOSED OF EXCEPT WHILE SUCH REGISTRATION UNDER THE ACT AND SUCH SECURITIES AND SIMILAR LAWS IS IN EFFECT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THIS BANK EQUIPMENT NOTE IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 10 OF THE REFUNDING AGREEMENT REFERRED TO BELOW.

No. \_\_\_\_\_ \$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AC  
 WILMINGTON TRUST COMPANY,  
 Not in its Individual Capacity  
 but Solely as Owner Trustee Under the  
 Trust Agreement (AA 1992 AF-3)  
 (Redesignated AA 1995 PTC Series AC)  
 Dated as of August 1, 1992

Issued in connection with Aircraft N376AN  
 Leased to  
 AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
- - - - -	- - - - -
7.708%	July 2, 2010

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-3) (redesignated AA 1995 PTC Series AC), dated as of August 1, 1992, between the Owner Trustee in its individual capacity and the institution referred to therein as the "Owner Participant" (herein as such Trust Agreement may be amended or supplemented from time to time called the "Trust Agreement"), for value received, hereby promises to pay to The Mitsubishi Trust and Banking Corporation, New York Branch, or regis-

(Series AC)

tered assigns the principal sum of \_\_\_\_\_ DOLLARS in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the original principal amount hereof remaining unpaid from time to time at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment in full. In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Bank Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this Bank Equipment Note, agrees that (a) it will look solely to the income and proceeds of the Indenture Estate for payment of such amounts, to the extent available for distribution to the Loan Participant as provided in the Indenture and (b) none of the Owner Participant, the Owner Trustee or the Loan Trustee is or shall be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture or, except as provided in the Indenture in the case of the Loan Trustee and the Owner Trustee, for any liability under the Indenture.

The interest or Installment Payment Amount so payable, and punctually paid or duly provided for the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Bank Equipment Note (or one or more predecessor Bank Equipment Notes) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so

punctually paid or duly provided for shall be payable at the election of the Loan Trustee to the Bank Lender in whose name this Bank Equipment Note is registered in the Register on the date of such payment, all as more fully provided in the Indenture.

Payment of the principal of, Swap Breakage Loss, if any, and interest on this Bank Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Paying Agent appointed under the Indenture shall remit all such amounts so received by it via wire transfer of immediately available funds to such address and in such manner as each Bank Lender shall have designated in writing to the Paying Agent. The Paying Agent shall cause each payment to the Bank Lender hereof to be made by 4:00 p.m. on the day the Paying Agent receives such payment. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and by the time specified, the Paying Agent, in its individual capacity and not as Paying Agent, has agreed to compensate the Bank Lender holding this Bank Equipment Note for loss of use of such funds.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to this Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name this Bank Equipment Note is registered in the Register under the Indenture, under this Bank Equipment Note, and under the Participation Agreement or Refunding Agreement, the Bank Lender holding this Bank Equipment Note shall surrender this Bank Equipment Note to the Loan Trustee for cancellation.

This Bank Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Bank Equipment Note has been executed on behalf of the Owner Trustee by the manual or facsimile signature of an authorized officer of the Owner Trustee, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Owner Trustee, the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions each Bank Lender agrees by its acceptance of this Bank Equipment Note. Each holder hereof, by its acceptance of this Bank Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

On each Installment Payment Date, the Bank Lender will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Bank Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
July 2, 1995	0.197627356%
January 2, 1996	2.100141600
July 2, 1996	2.181081055
January 2, 1997	0.929493623
January 2, 1998	2.032284747
July 2, 1998	3.472719435
July 2, 1999	9.315619259
January 2, 2001	7.642286182
January 2, 2002	8.236313938
January 2, 2003	5.177265053
January 2, 2004	5.579689036
January 2, 2005	5.707752596
January 2, 2006	4.940641185
January 2, 2007	5.183957303
January 2, 2008	5.433921987
January 2, 2009	6.003305681
January 2, 2010	12.648092511
July 2, 2010	13.217807454

The final installment of principal of this Bank Equipment Note shall under all circumstances equal the entire principal balance hereof outstanding on the Maturity Date.

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, upon such notice and under the circumstances set forth in the Indenture, at the Redemption Price set forth for such circumstances therein.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. If, and only if, such an event of default constitutes an event of default by the Company under the Lease, the Loan Trustee may declare the Lease to be in default, and may, to the exclusion of the Owner Trustee, exercise one or more of the remedies of the Owner Trustee provided in the Lease.

The right of the Bank Lender to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Owner Trustee and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Owner Trustee deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make-Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and in the Refunding Agreement and subject to certain limitations set forth herein and therein (including the limitations set forth in Section 10 of the Refunding Agreement), this Bank Equipment Note is transferable, and upon surrender of this Bank Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Bank Lender or his attorney duly authorized in writing, one or more new Bank Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Bank Equipment Notes are issuable only as registered Equipment Notes. The Bank Equipment Notes are issuable in denominations of not less than \$5,000,000 (or such lesser amount as shall constitute 100% of the aggregate unpaid principal amount of Bank Equipment Notes held by the Bank Lender holding such Bank Equipment Notes). As provided in the Indenture and subject to certain limitations set forth therein and in the Refunding Agreement, Bank Equipment Notes are exchangeable for an equal aggregate principal amount of Bank Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Bank Equipment Notes to be exchanged or transferred, as requested by the Bank Lender surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Bank Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Bank Lender in whose name this Bank Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bank Equipment Note and for all other purposes whatsoever whether or not this Bank Equipment Note be overdue, and neither the Owner Trustee, the Loan

Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS BANK EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

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(Series AC)

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely  
as Owner Trustee

By \_\_\_\_\_  
[Title]

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

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(Series AC)

## Issuance of Equipment Notes

The Pass Through Equipment Notes issued hereunder shall be issued to and shall be payable to the Pass Through Trustee under the Pass Through Trust Agreement with respect to the Grantor Trust created thereby, in each case as set forth below:

1995-A Trust

The Bank Equipment Notes issued hereunder shall be issued to and shall be payable to the Initial Bank Lender.

(Series AC)

Exhibit C to Amended and  
Restated Trust Indenture  
and Security Agreement

[TRUST AGREEMENT AND]\* INDENTURE SUPPLEMENT NO. \_\_\_\_\_\*\*  
(AA 1995 PTC Series AC)

[Trust Agreement and]\* Indenture Supplement No. \_\_\_\_\_, dated \_\_\_\_\_, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement (AA 1992 AF-3) (redesignated AA PTC 1995 Series AC), dated as of August 1, 1992 (the "Trust Agreement"), between the Owner Trustee and \_\_\_\_\_, a \_\_\_\_\_ corporation, as Owner Participant, and STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as Loan Trustee (the "Loan Trustee") under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995 (the "Indenture"), between the Owner Trustee and the Loan Trustee.

W I T N E S S E T H:

WHEREAS, the Trust Agreement provides for the execution and delivery from time to time of supplements thereto (individually, a "Supplement" and, collectively, "Supplements"), each of which shall particularly describe the Aircraft (such term and other terms defined in the Indenture being used herein as therein defined) included in the property covered by the Trust Agreement;

WHEREAS, the Indenture provides for the execution and delivery from time to time of Supplements thereto which shall particularly describe the Aircraft and shall specifically mortgage the Aircraft to the Loan Trustee; and

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\* Include for Indenture Supplements other than Indenture Supplement No. 2.

\*\* The language of this form to be modified for any Indenture Supplements other than Indenture Supplement No. 2.

(Series AC)

WHEREAS, each of the Trust Agreement and the Indenture relates to the Aircraft and Engines described below and a counterpart of each of the Trust Agreement and the Indenture is attached to and made a part of this Trust Agreement and Indenture Supplement.

NOW, THEREFORE, in order to secure the prompt payment of the principal of, Make-Whole Amount, if any, Swap Breakage Loss, if any, and interest on and all other amounts due with respect to, all Equipment Notes from time to time Outstanding and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions contained in the Indenture and in the other Operative Documents to which it is a party for the benefit of the Loan Participants, and the prompt payment of all amounts from time to time owing to the Loan Participants under the Participation Agreement and the Refunding Agreement by the Owner Trustee, the Owner Participant and the Lessee, and for the uses and purposes and subject to the terms and provisions of the Indenture, and in consideration of the premises and of the covenants contained in the Indenture, and of the acceptance of the Equipment Notes by the Loan Participants, and of the sum of \$1 paid to the Owner Trustee by the Loan Trustee at or before the delivery hereof, the receipt whereof is hereby acknowledged, the Owner Trustee has granted, bargained, sold, assigned, transferred, conveyed, mortgaged, pledged and confirmed, and does hereby grant, bargain, sell, assign, transfer, convey, mortgage, pledge and confirm, unto the Loan Trustee, its successors and assigns, for the security and benefit of the Loan Participants from time to time, a security interest in and mortgage Lien on all estate, right, title and interest of the Owner Trustee in, to and under the following described property:

AIRFRAME

One airframe identified as follows:

Manufacturer	Model	FAA Registration Number	Manufacturer's Serial Number
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together with any and all Parts relating to such airframe

## AIRCRAFT ENGINES

Two aircraft engines, each such engine having 750 or more rated takeoff horsepower or the equivalent thereof, whether or not such Engines shall be installed in or attached to the Aircraft or any other aircraft, identified as follows:

Manufacturer	Model	Serial Number
-----	-----	-----

together with all Parts relating to such engines.

TO HAVE AND TO HOLD all and singular the aforesaid property unto the Loan Trustee, its successors and assigns, in trust for the benefit and security of the Loan Participants from time to time and for the uses and purposes and subject to the terms and provisions set forth in the Indenture.

This Supplement shall be construed as supplemental to the Indenture and to the Trust Agreement and shall form a part of each, and the Trust Agreement and the Indenture are each hereby incorporated by reference herein and each is hereby ratified, approved and confirmed.

This Supplement is being delivered in the State of New York.

This Supplement may be executed by the Owner Trustee and the Loan Trustee in separate counterparts, each of which when so executed and delivered is an original, but all such counterparts shall together constitute but one and the same Supplement.

AND FURTHER, the Owner Trustee hereby acknowledges that the Aircraft referred to above has been delivered to the Owner Trustee and is included in the Indenture Estate of the Owner Trustee covered by all the terms and conditions of

the Trust Agreement, subject to the pledge or mortgage thereof under the Indenture.

IN WITNESS WHEREOF, Wilmington Trust Company, as the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as the Loan Trustee, have caused this Supplement to be duly executed by their respective officers thereunto duly authorized, as of the day and year first above written.

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity, but solely as  
Owner Trustee

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

STATE STREET BANK AND TRUST  
COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION, not  
in its individual  
capacity, except as other-  
wise provided, but solely  
as Loan Trustee

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

Exhibit D to  
Amended and Restated  
Trust Indenture and  
Security Agreement  
(AA 1995 PTC Series AC)

As provided for in Section 7.03 of the Trust Indenture and Security Agreement to which this is Exhibit D, such Indenture will, subject to the satisfaction of the conditions specified in such Section 7.03, be deemed to have been amended, automatically and without the requirement of further action by any Person (as defined in such Indenture) effective as of the Relevant Date (as defined in such Indenture) and so that:

(A) Section 1.01(b) thereof shall include the following defined terms (and the following definition for any such term shall be the sole definition for such term):

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aircraft" means the Airframe, together with the two Engines described in the Trust Agreement and Indenture Supplement originally executed and delivered hereunder (or any Replacement Engine substituted for any Engine hereunder), whether or not any of such initial or substituted Engines may from time to time be installed on such Airframe or may be installed on any other airframe or on any other aircraft. The term "Aircraft" shall include any Replacement Aircraft.

"Airframe" means (i) the Boeing 767-323ER aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N376AN and Manufacturer's Serial Number 25445, subjected to the Lien hereunder pursuant to the Trust Agreement and Indenture Supplement originally executed and delivered hereunder and (ii) any and all Parts so long as the same shall be incorporated or installed in or attached to such aircraft, or so long as the same shall be subject to the Lien of this Indenture in accordance with the terms of Section 8 of Article 15 hereof after removal from such aircraft. The term Airframe shall include any Replacement Airframe substituted pursuant to Section 10(a) of Article 15 hereof. Except as otherwise set forth herein, at such time as a Replacement Airframe shall be so substituted and the Airframe for which the substitution is made shall be released from the Lien hereunder,

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such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day on which dealings in Dollar deposits are carried out in the London interbank market, other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds.

"Delivery Date" means the date of the Lease Supplement covering the Aircraft, which date shall be the date on which the Aircraft was delivered by the Company to, and accepted by, the Owner Trustee under the Purchase Agreement and the Purchase Agreement Assignment and was leased to and accepted by the Company under the Lease.

"Engine" means (i) each of the two General Electric CF6-80C2B6 engines bearing manufacturer's serial numbers 695548 and 695538 relating to the Airframe and subjected to the Lien hereunder pursuant to the Trust Agreement and Indenture Supplement originally executed and delivered hereunder whether or not from time to time installed on the Airframe or installed on any other airframe or on any other aircraft and (ii) any Replacement Engine which may from time to time be substituted pursuant to Article 15 hereof or which may have been substituted pursuant to the Lease, together, in each case, with any and all Parts incorporated or installed in or attached thereto or any and all Parts removed therefrom so long as the same shall be subject to the Lien of this Indenture in accordance with the terms of Section 8 of Article 15 hereof after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted and the Engine for which substitution is made shall be released from the Lien hereunder, such replaced Engine shall cease to be an Engine hereunder.

"Event of Loss" with respect to any property means any of the following events with respect to such property: (i) loss of such property or the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or constructive total loss; (iii) the condemnation, confiscation or seizure

of, or requisition of title to, or use of, such property (other than (x) a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit or such government) that shall not have extended more than one year beyond the latest maturity date of any of the Outstanding Equipment Notes, unless the Company shall have declared an Event of Loss pursuant to Section 10(d) of Article 15, (y) a requisition for use by any other Government that shall not have extended beyond the latest maturity date of any of the Outstanding Equipment Notes or (z) a requisition for use by the government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which shall not have resulted in a loss of possession of the Aircraft for a period in excess of twelve consecutive months and shall not have extended beyond the latest maturity date of any of the Outstanding Equipment Notes); (iv) as a result of any rule, regulation, order or other action by the Federal Aviation Administration, the Department of Transportation or other governmental body of the United States of America or the country of registry having jurisdiction, the use of such property in the normal course of air transportation of persons shall have been prohibited for a period of six consecutive months, unless the Company, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by the Company or, in any event, if such use shall have been prohibited for a period of twelve consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by a Government in any area excluded from coverage by any insurance policy in effect with respect to the Aircraft required by the terms of Section 11 of Article 15 hereof, unless the requisition for use shall have been made by a Government and the Company shall have obtained indemnity in lieu thereof from a Government pursuant to Section 11 of Article 15; provided if such property shall be returned to the Company in usable condition prior to the date on which notice of any redemption of Equipment Notes relating to the occurrence of any such event is given pursuant to this Indenture, then such event shall, at the option of the Company, not constitute (or be deemed to be within the definition of) an Event of Loss. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"Government" means the government of any of the United States of America, Canada, France, Germany, Japan,

the Netherlands, Sweden, Switzerland and the United Kingdom, and any instrumentality or agency thereof, except that for purposes of the definition of "Event of Loss", the final sentence of Section 7(a) of Article 15, and Section 11 of Article 15, those instrumentalities and agencies included within the definition of "Government" shall be instrumentalities and agencies whose obligations bear the full faith and credit of the applicable government listed above.

"Loan Participant Liens" means Liens affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or the Indenture Estate or any interest therein as a result of (i) claims against any Loan Participant not related to the transactions contemplated by the Operative Documents and (ii) acts or omissions of any Loan Participant not related to the transactions contemplated by the Operative Documents or not permitted under the Operative Documents.

"Loss Payment Date" shall have the meaning specified therefor in Section 10(a)(ii) of Article 15 hereof.

"Manufacturer" means The Boeing Company, a Delaware corporation, and its successors and assigns.

"Operative Documents" means this Amendment, the Trust Indenture and Security Agreement, the Participation Agreement, the Purchase Agreement Assignment, the Trust Agreement and Indenture Supplement, the Bills of Sale and the Equipment Notes.

"Participation Agreement" means that certain Participation Agreement (AA 1992 AF-3), dated as of August 1, 1992, amended as of the date hereof, among the Company, the Loan Trustee, the Owner Participant, the Original Loan Participant and the Owner Trustee, as such Participation Agreement may from time to time be amended, modified or supplemented in accordance with the provisions thereof.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than (i) complete Engines or engines, (ii) any items leased by the Company and (iii) cargo containers) which may from time to time be incorporated or installed in or attached to the Airframe or any Engine.

"Permitted Air Carrier" shall have the meaning specified therefor in Section 7(b)(i) of Article 15 hereof.

"Permitted Countries" means any of the countries listed on Schedule I attached hereto.

"Permitted Liens" means Liens referred to in clauses (i) through (vii) of Section 6 of Article 15 hereof.

"Purchase Agreement" means the Purchase Agreement, dated as of June 23, 1989, between the Manufacturer and the Company (as heretofore amended, modified and supplemented), providing, among other things, for the manufacture and sale by the Manufacturer to the Company (or to financing entities designated by the Company) of certain Boeing 767 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented to the extent permitted by the terms of the Purchase Agreement Assignment and this Indenture.

"Purchase Agreement Assignment" means that certain Purchase Agreement Assignment (AA 1992 AF-3), dated as of August 1, 1992, between the Company and the Owner Trustee, as the same may be modified, amended, or supplemented from time to time pursuant to the applicable provisions thereof and in accordance with this Indenture, pursuant to which the Company assigns to the Owner Trustee certain of the Company's rights and interests under the Purchase Agreement with respect to the Aircraft, which Purchase Agreement Assignment has annexed thereto, a Consent and Agreement thereto executed by the Manufacturer, each as originally executed or as amended, modified or supplemented pursuant to the applicable provisions thereof.

"Redemption Price" means the price at which the Equipment Notes are to be redeemed, determined as of the Redemption Date, pursuant to Section 6.01 or Section 6.02, as the case may be.

"Refunding Agreement" means that certain Refunding Agreement (AA 1995 PTC Series AC), dated as of June 2, 1995, among the Company, the Owner Participant, the Owner Trustee, the Pass Through Trustee, the Original Loan Participants, the Indenture Trustee and the Loan Trustee, as such Refunding Agreement may from time to time be amended, modified or supplemented in accordance with the provisions thereof.

"Refunding Date" shall have the meaning specified therefor in Section 1(a) of the Refunding Agreement.

"Replacement Aircraft" means the Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" mean a Boeing 767-323ER aircraft or a comparable or an improved model of such aircraft of the Manufacturer (except Engines or engines from time to time installed thereon) described in a supplement to this Indenture, which shall have been substituted hereunder pursuant to Section 10(a) of Article 15 hereof, together with all Parts relating to such aircraft.

"Replacement Engine" shall mean a General Electric CF6-80C2B6 engine (or an engine of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine subject to the Lien hereunder) together with all Parts relating to such engine.

"Responsible Officer" means, (x) with respect to the Company, its Chairman of the Board, its President, any Senior Vice President, its Chief Financial Officer, any Vice President, the Treasurer or any other management employee (i) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (ii) whose responsibilities include the administration of the transactions and agreements, including this Indenture, contemplated by the Participation Agreement and the other Operative Documents and (y) with respect to the Loan Trustee, any officer in its corporate trust department, or any officer of the Loan Trustee customarily performing functions similar to those performed by persons who at the time shall be such officers, or to whom any corporate trust matter is referred because of his knowledge of and familiarity with a particular subject.

"Taxes" has the meaning set forth in Section 7(c) of the Participation Agreement.

The following defined terms shall be deleted: "Basic Rent", "Excepted Property", "Lease Event of Default", "Lease Loss Payment Date", "Lease Supplement", "Lease Termination Date", "Lessor's Liens", "Rent", "Rent Schedule", "Special Termination Date", "Stipulated Loss Value", "Supplemental Rent", "Tax Indemnity Agreement", "Termination Value", "Trust Agreement" and "Trust Estate".

(B) Sections 2.02, 2.09 and 2.11 of Article 2 thereof shall read as follows:

Section 2.02. Execution and Authentication. (a) Equipment Notes shall be executed on behalf of the Company by the manual or facsimile signature of its President, any Senior Vice President, Vice President, an Assistant Vice President, its Treasurer, its Secretary, an Assistant Secretary, an Assistant Treasurer or other authorized officer.

(b) If any officer of the Company executing the Equipment Notes or attesting to the Company's seal no longer holds that office at the time the Equipment Notes are executed on behalf of the Company, the Equipment Notes shall be valid nevertheless.

(c) At any time and from time to time after the execution of the Equipment Notes, the Company may deliver such Equipment Notes to the Loan Trustee for authentication and, subject to the provisions of Section 2.10, the Loan Trustee shall authenticate the Equipment Notes by manual signature upon written orders of the Company. Equipment Notes shall be authenticated on behalf of the Loan Trustee by any authorized officer or signatory of the Loan Trustee.

(d) An Equipment Note issued after the Relevant Date shall not be valid or obligatory for any purpose or entitled to any security or benefit hereunder until executed on behalf of the Company by the manual or facsimile signature of the officer of the Company specified in the first sentence of Section 2.02(a) and, until authenticated on behalf of the Loan Trustee, by the manual signature of the authorized officer or signatory of the Loan Trustee. Such signatures shall be conclusive evidence that such Equipment Note has been duly executed, authenticated and issued under this Indenture.

Section 2.09. Payment by the Company. All amounts payable to the Loan Participants under the Equipment Notes and this Indenture shall be the direct obligations of the Company which the Company agrees to pay when due.

Section 2.11. Assumption of Certain Obligations. Notwithstanding any provision to the contrary contained herein, Section 2.01 and Sections 2.03 through 2.10 hereof shall be deemed amended to provide that any reference to or obligation of the Owner Trustee contained in any such Section shall after the Relevant Date be deemed to be a reference to or obligation of the Company.

(C) Article 3 thereof shall read as follows:

Section 3.01. [Intentionally Omitted]

Section 3.02. Payment in Case of Redemption of Equipment Notes. In the event the Equipment Notes are redeemed in accordance with the provisions of Section 6.01 or Section 6.02, the Loan Trustee will apply on the Redemption Date any amounts then held by it the Indenture Estate and received by it from or on behalf of the Company, in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much thereof as shall be required to pay the Redemption Price on the Outstanding Equipment Notes pursuant to Section 6.01 or Section 6.02, as the case may be, on the Redemption Date shall be applied to the redemption of the Equipment Notes on the Redemption Date;

third, so much thereof as shall be required to pay the amounts described in clause "fifth" of Section 3.05 shall be applied to pay such amounts; and

fourth, the balance, if any, thereof remaining shall be distributed to the Company or as the Company may request.

Section 3.03. Application of Payments When No Indenture Event of Default Is Continuing. Each payment received by the Loan Trustee from Company shall, except as otherwise provided in Section 3.02, 3.04, 3.05 or 3.06, be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay in full the principal of and interest then due on all Outstanding Equipment Notes shall be distributed to the Persons entitled thereto;

second, so much of such aggregate amount remaining as shall be required to pay any amount due the Loan Trustee pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

third, so much thereof as shall be required to pay the amounts described in clause "fifth" of Section 3.05 shall be applied to pay such amounts; and

fourth the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Company.

Section 3.04. Application of Certain Payments in Case of Requisition or Event of Loss. Except as otherwise provided in Section 3.05 hereof, any amounts received directly or through the Company from any governmental authority or other Person pursuant to Section 10 of Article 15 hereof with respect to the Airframe or the Airframe and the Engines or engines then installed on the Airframe as the result of an Event of Loss, to the extent that such amounts are not at the time required to be paid to the Company pursuant to said Section 10, and any amounts of insurance proceeds for damage to the Indenture Estate received directly or through the Company from any insurer pursuant to Section 11 of Article 15 hereof with respect thereto as the result of an Event of Loss, to the extent such amounts are not at the time required to be paid to the Company pursuant to said Section 11, shall be applied in reduction of the Company's obligations hereunder.

Section 3.05. Payments During Continuance of Indenture Event of Default. All payments received and amounts held or realized by the Loan Trustee after an Indenture Event of Default shall have occurred and be continuing (including any amounts realized by the Loan Trustee from the exercise of any remedies pursuant to Article 8), as well as all payments or amounts then held or thereafter received by the Loan Trustee as part of the Indenture Estate while such Indenture Event of Default shall be continuing, shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such payments or amounts as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts;

second, so much of such payments or amounts remaining as shall be required to pay the expenses incurred (including unbilled expenses in respect of property delivered or contracted for or services rendered or contracted for if the amount of such expenses is liquidated) in using, operating, storing, leasing,

controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, of and to the Indenture Estate and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or part thereof (including the employment of engineers and accountants to examine and make reports upon the properties, books and records of the Company), all in accordance with Section 8.03(c), shall be applied for such purposes;

third, so much of such payments or amounts remaining as shall be required to pay the principal of and accrued interest on all Equipment Notes Outstanding payable to the Loan Participants then due and payable, whether by declaration of acceleration pursuant to Section 8.02 or otherwise, shall be applied ratably to the payment of such principal and interest; and in case the aggregate amount remaining shall be insufficient to pay in full the whole amount so due and unpaid, then such amount shall be applied to the payment of such principal and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts;

fourth, so much of such payments or amounts remaining as shall be required to pay the Make-Whole Amount, if any, and the Swap Breakage Loss, if any, as the case may be, then due and payable to any Loan Participant pursuant to Section 6.01 or 6.02 hereof but unpaid shall be applied ratably to the payment of such Make-Whole Amount, if any, or Swap Breakage Loss, as the case may be; and, in case the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Loan Participant over any other Loan Participant, in the proportion that the aggregate amount due each such Loan Participant bears to the aggregate amount due all such Loan Participants under this clause fourth;

fifth, so much of such payments or amounts remaining as shall be required to pay to each Loan Participant all other amounts payable pursuant to the indemnification provisions of Section 7(b) or 7(c) of the Participation Agreement, pursuant to Section 14 of the

Refunding Agreement or pursuant to any other provision of this Indenture or any Operative Document (excluding, in any case, any amounts payable pursuant to clause "second" or "third" of this Section 3.05 or amounts constituting a Make-Whole Amount or Swap Breakage Loss) to such Bank Lender or to its predecessors and remaining unpaid shall be distributed to such Bank Lender for distribution to itself and such predecessors, as their interests may appear, and if the aggregate amount remaining shall be insufficient to pay all such amounts in full, such amount shall be distributed ratably, without priority of any Bank Lender over any other Bank Lender, in the proportion that the aggregate amount due each such Bank Lender under this clause "fifth" bears to the aggregate amount due all such Bank Lenders under this clause "fifth"; and

sixth, the balance, if any, of such payments or amounts remaining thereafter shall be held by the Loan Trustee as collateral security for the obligations secured hereby until such time as no Indenture Event of Default shall be continuing hereunder or the Equipment Notes have been accelerated and all amounts due thereon have been paid, at which time such payments or amounts shall be distributed to the Company.

Section 3.06. Payments for Which Application Is Provided in Other Documents. Except as otherwise provided in this Indenture, any payment received by the Loan Trustee for which provision as to the application thereof is made in the Participation Agreement or the Refunding Agreement shall be distributed to the Person for whose benefit such payments were made.

Section 3.07. Payments for Which No Application Is Otherwise Provided. Except as otherwise provided in Section 3.05:

(a) any payment received by the Loan Trustee for which no provision as to the application thereof is made elsewhere in this Indenture; and

(b) any payment received and amounts realized by the Loan Trustee with respect to the Aircraft to the extent received or realized at any time after the conditions set forth in Article 10 for the satisfaction and discharge of this Indenture or for the defeasance of the Equipment Notes shall have been satisfied, as

well as any other amounts remaining as part of the Indenture Estate after such satisfaction

shall be distributed by the Loan Trustee in the following order of priority:

first, so much of such aggregate amount as shall be required to pay the Loan Trustee all amounts then due it pursuant to Section 9.05 shall be applied to pay the Loan Trustee such amounts; and

second, the balance, if any, of such aggregate amount remaining thereafter shall be distributed to the Company.

Section 3.08. Credit in Respect of Equipment Notes

Surrendered for Cancellation. (a) In satisfaction of the Company's obligation to pay all or any part of the principal of, premium, if any, and interest on the Equipment Notes due on any date, the Company may surrender, or cause to be surrendered, Equipment Notes the principal of which is or will be due on such date to the Loan Trustee for cancellation pursuant to Section 2.07 not later than 10 Business Days prior to such date, in which case there shall be credited against the amounts so payable by the Company in respect of the Equipment Notes as of such date the aggregate principal amount as of such date of the Equipment Notes so surrendered, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as applicable, thereon as of such date and the amount of interest which would have been payable on the Equipment Notes so surrendered on such date had they not been surrendered for cancellation and had they remained outstanding.

(b) In satisfaction of the Company's obligation to pay the Redemption Price upon a redemption pursuant to Section 6.01, the Company may surrender (or cause to be surrendered) Equipment Notes the principal of which is or will be due on the related Redemption Date to the Loan Trustee for cancellation pursuant to Section 2.07 not later than 10 Business Days prior to such date, in which case there shall be credited against the amount so payable by the Company in respect of the Equipment Notes as of such date the aggregate principal amount of the Equipment Note so surrendered, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as applicable, thereon as of such Note date and the amount of the interest which would have been payable on the Equipment Notes so surrendered on such date had they

not been surrendered for cancellation and had they remained Outstanding.

(D) Article 4 thereof shall read as follows:

[Intentionally omitted]

(E) Article 5 thereof shall read as follows:

Section 5.01. Disposition, Substitution and Release of Property Included in the Indenture Estate. So long as this Indenture is in effect:

(a) Parts. Any Parts and alterations, improvements and modifications in and additions to the Aircraft shall, to the extent required by Section 8 of Article 15 hereof, become subject to the Lien of this Indenture; provided that, to the extent permitted by and as provided in Section 8 of Article 15 hereof, the Company shall have the right, at any time and from time to time, without any release from or consent by the Loan Trustee, to remove, replace and pool Parts and to make alterations, improvements and modifications in, and additions to, the Aircraft. The Loan Trustee agrees that, to the extent permitted by and as provided in this Indenture, title to any such removed or replaced Part shall vest in the Company free and clear of all rights of the Loan Trustee. The Loan Trustee shall from time to time execute an appropriate written instrument or instruments to confirm the release of the security interest of the Loan Trustee in any Part as provided in this Section 5.01, in each case upon receipt by the Loan Trustee of a Company Request stating that said action was duly taken by the Company in conformity with this Section 5.01 and that the execution of such written instrument or instruments is appropriate to evidence such release of a security interest under this Section 5.01.

(b) Substitution upon an Event of Loss Occurring to Airframe or Engines or upon Voluntary Termination with Respect to Engines. Upon (i) the occurrence of an Event of Loss with respect to the Airframe or an Engine or (ii) a voluntary termination of the Lien hereunder with respect to an Engine pursuant to Section 8(d) of Article 15 hereof, the Company may, in the case of an Event of Loss which has occurred to the Airframe, or shall, in the case of an Event of Loss which has occurred with respect to an Engine or the termination of

the Lien hereunder with respect to an Engine, substitute an airframe or engine, as the case may be, in which case, upon satisfaction of all conditions to such substitution specified in Section 10 of Article 15 hereof, if applicable, the Loan Trustee shall release all of its right, interest and Lien in and to the Airframe or such Engine in accordance with the provisions of the following two sentences. The Loan Trustee shall execute and deliver to the Company or its designee an instrument releasing its Lien in and to the Airframe or such Engine and shall execute for recording in public offices, at the expense of the Company or such designee, such instruments in writing as the Company or such designee shall reasonably request and as shall be reasonably acceptable to the Loan Trustee in order to make clear upon public records that such Lien has been released under the laws of the applicable jurisdiction, and shall further execute such instruments as may be reasonably requested by the Company to release the Purchase Agreement and Purchase Agreement Assignment from the assignment and pledge thereof hereunder. The Company, for itself and any such designee, hereby waives and releases any and all rights existing or that may be acquired to any penalties, forfeit or damages from or against the Loan Trustee for failure to execute and deliver any document in connection with the release of a Lien or to file any certificate in compliance with any law or statute requiring the filing of the same in connection with the release of a Lien, except for failure by the Loan Trustee to execute and deliver any document or to file any certificate as may be specifically requested in writing by the Company or such designee.

(F) Article 6 thereof shall read as follows:

Section 6.01. Redemption of Equipment Notes upon Event of Loss. Upon the occurrence of an Event of Loss to the Aircraft if the Aircraft is not replaced pursuant to Section 10(a)(i) of Article 15 hereof, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to 100% of the outstanding principal amount of such Equipment Note plus accrued and unpaid interest thereon to but excluding the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, plus all other amounts payable to the Loan Participants. The Redemption Date for Equipment Notes to be redeemed pursuant this Section 6.01 shall be the date on which

payment of the amount required to be paid pursuant to Section 10(a)(ii) of Article 15 hereof is made by the Company.

Section 6.02. Other Redemptions. (a) Upon the request of the Company, upon at least 30 days' prior notice to the Loan Trustee, each Outstanding Equipment Note shall be redeemed in whole at a Redemption Price equal to the aggregate unpaid principal amount thereof, together with accrued and unpaid interest thereon to, but not including, the applicable Redemption Date plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, but if redeemed thereafter, without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.02(a) shall be the date designated by the Company in the notice of the Company which shall be a Business Day.

(b) Upon the request of the Company (i) upon at least 30 days' prior irrevocable notice to the Loan Trustee in the case of the Pass Through Equipment Notes or (ii) upon at least five days' notice to the Loan Trustee in the case of the Bank Equipment Notes, and provided that all outstanding equipment notes then held in the same Pass Through Trust or by the same Bank Lender, as the case may be, are simultaneously being redeemed, each Outstanding Equipment Note having the maturity or being held by the Bank Lender designated by the Company in such notice shall be redeemed at a Redemption Price equal to the aggregate unpaid principal amount thereof together with accrued but unpaid interest thereon to, but not including, the applicable Redemption Date, plus, in the case of each Bank Equipment Note, Swap Breakage Loss, if any, and plus, in the case of each Pass Through Equipment Note redeemed prior to the Premium Termination Date applicable to such Pass Through Equipment Note, Make-Whole Amount, if any, but if redeemed thereafter without Make-Whole Amount. The Redemption Date for Equipment Notes to be redeemed pursuant to this Section 6.02(b) shall be the date designated in the notice of the Company which in the case of Equipment Notes issued on or after the Transfer Date shall be a Business Day.

Section 6.03. Notice of Redemption to Loan Participants. Notice of redemption pursuant to Section 6.01 or Section 6.02 shall be given by first-class mail, postage prepaid, mailed not less than 25 or more than 60 days prior to the Redemption Date (except that, with respect to any

Bank Equipment Notes for which a shorter period of notice to the Loan Trustee is provided, written notice shall be given to each affected Bank Lender as promptly as practicable after the Loan Trustee receives such notice), to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's address appearing in the Register; provided that, in the case of a redemption to be made pursuant to Section 6.02, such notice shall be revocable and shall be deemed revoked if notice of such redemption shall have been given in connection with a refinancing of Equipment Notes and the Loan Trustee receives written notice of such revocation from the Company not later than three Business Days prior to the Redemption Date.

All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the applicable basis for determining the Redemption Price,
- (3) that on the Redemption Date, the Redemption Price will become due and payable upon each such Equipment Note, and that interest on the Equipment Notes shall cease to accrue on and after such Redemption Date, and
- (4) the place or places where such Equipment Notes are to be surrendered for payment of the Redemption Price.

Notice of redemption of Equipment Notes to be redeemed shall be given by the Loan Trustee.

Section 6.04. Deposit of Redemption Price. On or before the Redemption Date, the Company shall, to the extent an amount equal to the Redemption Price for the Equipment Notes to be redeemed on the Redemption Date shall not then be held in the Indenture Estate, deposit or cause to be deposited with the Loan Trustee or the Paying Agent by 12:00 Noon on the Redemption Date in immediately available funds the Redemption Price of the Equipment Notes to be redeemed.

Section 6.05. Equipment Notes Payable on Redemption Date. Notice of redemption or purchase having been given as aforesaid (and not deemed revoked as contemplated in the proviso to Section 6.03), the Equipment Notes to be redeemed or purchased shall, on the Redemption Date, become due and payable, at the principal corporate trust office of

the Loan Trustee or at any office or agency maintained for such purposes pursuant to Section 2.03, and from and after such Redemption Date (unless there shall be a default in the payment of the Redemption Price) any such Equipment Notes then outstanding shall cease to bear interest. Promptly following payment of such Redemption Price with respect to any Bank Equipment Note, the Bank Lender holding such Bank Equipment Note shall surrender such Bank Equipment Note to the Loan Trustee. Upon surrender of any Pass Through Equipment Note for redemption or purchase in accordance with said notice such Equipment Note shall be paid at the Redemption Price.

If any Equipment Note called for redemption shall not be so paid upon surrender thereof for redemption, the principal amount thereof shall, until paid, continue to bear interest from the applicable Redemption Date at the interest rate in effect for such Equipment Note as of such Redemption Date.

(G) Sections 7.01, 7.02, and 7.03 thereof shall read as follows:

Section 7.01. Repayment of Monies for Equipment Note Payments Held by the Loan Trustee. Any money held by the Loan Trustee or any Paying Agent in trust for any payment of the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on any Equipment Note, including without limitation any money deposited pursuant to Article 10, and remaining unclaimed for more than two years and eleven months after the due date for such payment and any money paid to the Loan Trustee pursuant to Section 11.01 of the Pass Through Trust Agreement, shall be paid to the Company; and the Loan Participants entitled to payment thereon shall thereafter, as unsecured general creditors, look only to the Company for payment thereof, and all liability of the Loan Trustee or any such Paying Agent with respect to such trust money shall thereupon cease; provided that the Loan Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be mailed to each such Loan Participant notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of mailing, any unclaimed balance of such money then remaining will be repaid to the Company as provided herein.

Section 7.02. Change in Registration. The Loan Trustee shall, upon the request of the Company, consent to

the deregistration of the Aircraft under the laws of the jurisdiction in which it is at the time registered and the registration of the Aircraft under the laws of another jurisdiction (herein called a "change in registration") provided that the following conditions are met:

(a) Such change in registration complies with the provisions of this Indenture.

(b) No Indenture Event of Default (and no event which, with lapse of time or notice, or both, would become an Indenture Event of Default) shall have occurred and be continuing at the date of such request or at the effective date of the change in registration, provided that it shall not be necessary to comply with this condition (i) if the change in registration results in the registration of the Aircraft under the laws of the United States of America or (ii) if the Loan Trustee in its discretion believes the change in registration would be advantageous to the Loan Participants.

(c) The Loan Trustee shall have received an opinion of counsel to the Company reasonably satisfactory to it to the effect that:

(i) after giving effect to the change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a fully perfected Lien and that all filing, recording or other action necessary to perfect and protect the Lien of the Indenture has been accomplished (or if such opinion cannot be given at the time by which the Loan Trustee has been requested to consent to a change in registration, (x) the opinion shall detail what filing, recording or other action is necessary and (y) the Loan Trustee shall have received a certificate from the Company that all possible preparation to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Loan Trustee on or prior to the effective date of the change in registration); and

(ii) the terms of this Indenture (including the governing law clauses) are legal, valid and binding and enforceable in such jurisdiction,

except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity and except as limited by applicable laws which may affect the remedies provided for in this Indenture, which laws, however, do not in the opinion of such counsel make the remedies provided in this Indenture inadequate for the practical realization of the rights and benefits provided hereby.

(d) The Loan Trustee shall have received assurances reasonably satisfactory to it that the insurance provisions contained in Section 11 of Article 15 hereof will have been complied with after giving effect to such change in registration.

(e) The Company shall have paid or made provision satisfactory to the Loan Trustee for the payment of all expenses connected with such change in registration.

The Loan Trustee shall execute such documents as the Company shall reasonably request in order to satisfy the above conditions and upon satisfaction of such conditions to effect the change in registration.

Section 7.03. [Intentionally Omitted]

(H) Sections 8.01, 8.02, 8.03 and 8.04 thereof shall read as follows:

Section 8.01. Indenture Events of Default. The following events shall constitute "Indenture Events of Default" under this Indenture (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Indenture Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) the Company shall fail to pay any installment of interest upon any Equipment Note, or the principal of any Equipment Note or of Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, in respect of any Equipment Note, in each case when the same shall be due and payable (whether upon redemption, final maturity, acceleration or otherwise), and, in

each case, such failure shall continue for more than 15 days after the same shall have become due and payable; or

(b) the Company shall fail to carry and maintain insurance on or with respect to the Aircraft in accordance with the provisions of Section 11 of Article 15 hereof; provided that, in the case of insurance with respect to which cancellation, change or lapse for nonpayment of premium shall not be effective as to the Loan Trustee, the Bank Lenders or the Pass Through Trustee for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt of notice by the Loan Trustee of such cancellation, change or lapse, no such failure to carry and maintain insurance shall constitute an Indenture Event of Default hereunder until the earlier of (i) the date such failure shall have continued unremedied for a period of 20 days (five days in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee of the notice of cancellation, change or lapse referred to in Section 11(a)(C) or 11(b)(C) of Article 15 hereof, or (ii) the date such insurance not being in effect as to the Loan Trustee or the Bank Lenders; or

(c) the Company shall operate the Aircraft at a time when public liability insurance required by Section 11(a) of Article 15 hereof shall not be in effect; or

(d) the Company shall fail to perform or observe any covenant or agreement to be performed or observed by it hereunder or under the Participation Agreement and such failure shall continue unremedied for a period of 30 days after written notice thereof has been given by the Loan Trustee; provided that, if such failure is capable of being remedied, so long as the Company is diligently proceeding to remedy such failure, no such failure shall constitute an Event of Default hereunder for a period of up to 365 days; or

(e) any material representation or warranty made by the Company in the Participation Agreement or in the Purchase Agreement (to the extent applicable to the Aircraft) or in any document or certificate furnished by the Company in connection herewith or therewith or pursuant hereto or thereto shall prove to have been

incorrect in any material respect at the time made and such incorrectness shall continue to be material and shall continue unremedied for a period of 30 days after written notice thereof has been given by the Loan Trustee; or

(f) the Company shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property or the Company shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(g) the Company shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against the Company in any such proceeding, or the Company shall by voluntary petition, answer or consent, seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(h) an order, judgment, or decree shall be entered by any court of competent jurisdiction appointing, without the consent of the Company, a receiver, trustee or liquidator of the Company or of any substantial part of its property, or sequestering any substantial part of the property of the Company, and any such order, judgment or decree of appointment or sequestration shall remain in force undischarged, unstayed or unvacated for a period of 90 days after the date of entry thereof; or

(i) a petition against the Company in a proceeding under the Federal bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to the Company, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Company or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unexpired for a period of 90 days;

provided that, notwithstanding anything to the contrary contained in this Indenture, any failure of the Company to perform or observe any covenant, condition, or agreement herein shall not constitute an Indenture Event of Default if such failure is caused solely by reason of an event referred to in the definition of "Event of Loss", so long as the Company is continuing to comply with the applicable terms of Section 10 of Article 15 hereof.

Section 8.02. Acceleration; Rescission and Annulment. If an Indenture Event of Default occurs and is continuing, the Loan Trustee, by notice to the Company, or the Loan Participants holding at least 25% in aggregate principal amount of outstanding Equipment Notes by notice to the Company and the Loan Trustee, may declare the principal of all the Equipment Notes to be due and payable. Upon such declaration, the principal of all Equipment Notes, together with accrued interest thereon from the date in respect of which interest was last paid hereunder to the date payment of such principal has been made or duly provided for shall be due and payable immediately, together with Swap Breakage Loss, if any, on the Bank Equipment Notes. At any time after such declaration and prior to the sale or disposition of the Indenture Estate, the Loan Participants in a majority in aggregate principal amount of all of the Outstanding Equipment Notes, by notice to the Loan Trustee and the Company, may rescind such a declaration and thereby annul its consequences if (i) an amount sufficient to pay all principal of, Make-Whole Amount, if any, and Swap Breakage Loss, if any, and interest thereon, at the rate prescribed therefor in such Equipment Note and interest due or past due, if any, in respect of the Outstanding Equipment Notes plus all other amounts payable to the Loan Participants, other than by reason of such acceleration, and all sums due and payable to the Loan Trustee has been deposited with the Loan Trustee, (ii) the rescission would not conflict with any judgment or decree and (iii) all existing Indenture Defaults and Indenture Events of Default under this Indenture have been cured or waived except nonpayment of principal of, Swap Breakage Loss, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No Make-Whole Amount shall be payable on the Pass Through Equipment Notes as a result of the acceleration of the Equipment Notes.

Section 8.03. Other Remedies Available to Loan Trustee. (a) After an Indenture Event of Default shall have occurred and so long as the same shall be continuing, then and in every such case the Loan Trustee, as trustee of

an express trust and as holder of a security interest in the Aircraft or Engines or otherwise, may, at its option, declare this Indenture to be in default by a written notice to the Company; and at any time thereafter, so long as the Company shall not have remedied all outstanding Events of Default, the Loan Trustee may do one or more of the following with respect to all or any part of any Airframe or any Engines as the Loan Trustee in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect; provided, however, that, during any period when the Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 7(b) of Article 15 hereof and in the possession of the United States government or an instrumentality or agency thereof, and to the extent that any applicable law or contractual provision covering the Aircraft so requires, the Loan Trustee shall not, on account of any Indenture Event of Default, be entitled to do any of the following in such manner as to limit the Company's control (or any lessee's control, under any lease permitted by the terms of Section 7(b) of Article 15 hereof) of any Airframe or any Engines, unless at least 60 days' (or such lesser period as may then be applicable under the Military Airlift Command Program of the United States Government) prior written notice of default under this Indenture with respect to the Company's obligations hereunder shall have been given by the Loan Trustee by registered or certified mail to the Company (and, if applicable, any such lessee) with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under any contract with the Company (or any such lessee) relating to the Aircraft:

(i) cause the Company, upon the written demand of the Loan Trustee and at the Company's expense, to return promptly, and the Company shall return promptly, all or such part of any Airframe or any Engine as the Loan Trustee may so demand to the Loan Trustee or its order or the Loan Trustee, at its option, may enter upon the premises where all or any part of such Airframe or any Engine are located and take immediate possession of and remove the same (together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; provided that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held for the account

of any such owner, lessor, lienor or secured party or, if owned by the Company, may, at the option of the Loan Trustee, be exchanged with the Company for an Engine) all without liability accruing to the Loan Trustee for or by reason of such entry or taking of possession or removal, whether for the restoration of damage to property caused by taking or otherwise; or

(ii) sell all or any part of any Airframe and any Engine at public or private sale, whether or not the Loan Trustee shall at the time have possession thereof, as the Loan Trustee may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of such Airframe or such Engine as the Loan Trustee, in its sole discretion, may determine, all free and clear of any rights of the Company and without any duty to account to the Company with respect to such action or inaction or for any proceeds with respect thereto.

(b) Subject to Section 8.03(e) and Section 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Loan Trustee may, if at the time such action may be lawful and always subject to compliance with any mandatory legal requirements, either with or without taking possession, and either before or after taking possession, and without instituting any legal proceedings whatsoever, and having first given notice of such sale by registered mail to the Company once at least thirty days prior to the date of such sale, and any other notice which may be required by law, sell and dispose of the Indenture Estate, or any part thereof, or interest therein, at public auction to the highest bidder, in one lot as an entirety or in separate lots, and either for cash or on credit and on such terms as the Loan Trustee may determine, and at any place (whether or not it be the location of the Indenture Estate or any part thereof) and time designated in the notice above referred to; provided, however, that, notwithstanding any provision herein to the contrary, the Loan Trustee shall not sell any of the Indenture Estate unless a declaration of acceleration has been made pursuant to Section 8.02. Any such sale or sales may be adjourned from time to time by announcement at the time and place appointed for such sale or sales, or for any such adjourned sale or sales, without further notice, and the Loan Trustee and any Loan Participant may bid and become the purchaser at any such sale. The Loan Trustee may exercise such right without possession or production of the Equipment Notes or proof of ownership thereof, and as representative of the Loan Participants may

exercise such right without notice to the Loan Participants or including the Loan Participants as parties to any suit or proceeding relating to foreclosure of any property in the Indenture Estate. The Company hereby irrevocably constitutes the Loan Trustee the true and lawful attorney-in-fact of the Company (in the name of the Company or otherwise) for the purpose of effectuating any sale, assignment, transfer or delivery for enforcement of the Lien created under this Indenture, whether pursuant to foreclosure or power of sale or otherwise, to execute and deliver all such bills of sale, assignments and other instruments as the Loan Trustee may consider necessary or appropriate, with full power of substitution, the Company hereby ratifying and confirming all that such attorney or any substitute shall lawfully do by virtue hereof. Nevertheless, if so requested by the Loan Trustee or any purchaser, the Company shall ratify and confirm any such sale, assignment, transfer or delivery, by executing and delivering to the Loan Trustee or such purchaser all bills of sale, assignments, releases and such proper instruments to effect such ratification and confirmation as may be designated in any such request.

(c) Subject to Section 8.03(e) and 8.03(h), if an Indenture Event of Default has occurred and is continuing, the Company shall, at the request the Loan Trustee, promptly execute and deliver to the Loan Trustee such instruments of title or other documents as the Loan Trustee may deem necessary or advisable to enable the Loan Trustee or an agent or representative designated by the Loan Trustee, at such time or times and place or places as the Loan Trustee may specify, to obtain possession of all or any part of the Indenture Estate. If the Company shall for any reason fail to execute and deliver such instruments and documents after such request by the Loan Trustee, the Loan Trustee shall be entitled, in a proceeding to which the Company will be a necessary party, to a judgment for specific performance of the covenants contained in the foregoing sentence, conferring upon the Loan Trustee the right to immediate possession and requiring the Company to execute and deliver such instruments and documents to the Loan Trustee. The Loan Trustee shall also be entitled to pursue all or any part of the Indenture Estate wherever it may be found and may enter any of the premises of the Company or any other Person wherever the Indenture Estate may be or is supposed to be and search for the Indenture Estate and take possession of any item of the Indenture Estate pursuant to this Section 8.03(c). The Loan Trustee may, from time to time, at the expense of the Indenture Estate, make all such expenditures for maintenance, insurance, repairs, replacements,

alterations, additions and improvements to and of the Indenture Estate, as it may deem proper. In each such case, the Loan Trustee shall have the right to use, operate, store, lease, control or manage the Indenture Estate, and to exercise all rights and powers of the Company relating to the Indenture Estate as the Loan Trustee shall deem appropriate, including the right to enter into any and all such agreements with respect to the use, operation, storage, leasing, control or management of the Indenture Estate or any part thereof; and the Loan Trustee shall be entitled to collect and receive directly all tolls, rents, issues, profits, products, revenues and other income of the Indenture Estate and every part thereof, without prejudice, however, to the right of the Loan Trustee under any provision of this Indenture to collect and receive all cash held by, or required to be deposited with, the Loan Trustee hereunder. In accordance with the terms of this Section 8.03(c), such tolls, rents, issues, profits, products, revenues and other income shall be applied to pay all expenses of using, operating, storing, leasing, controlling or managing the Indenture Estate, and of all maintenance, insurance, repairs, replacements, alterations, additions and improvements, and to make all payments which the Loan Trustee may be required or may elect to make, if any, for taxes, assessments, insurance or other proper charges upon the Indenture Estate or any part thereof (including the employment of engineers and accountants to examine, inspect and make reports upon the properties and books and records of the Company in accordance with this Section 8.03(c)), and all other payments which the Loan Trustee may be required or authorized to make under any provision of this Indenture, including this Section 8.03(c), as well as just and reasonable compensation for the services of the Loan Trustee, and of all Persons properly engaged and employed by the Loan Trustee.

If an Indenture Event of Default occurs and is continuing and the Loan Trustee shall have obtained possession of or title to the Aircraft, the Loan Trustee shall not be obligated to use or operate the Aircraft or cause the Aircraft to be used or operated directly or indirectly by itself or through agents or other representatives or to lease, license or otherwise permit or provide for the use or operation of the Aircraft by any other Person unless (i) the Loan Trustee shall have been able to obtain insurance in kinds, at rates and in amounts satisfactory to it in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all liability for loss or damage to the Aircraft and for public liability and property damage resulting from use or opera-

tion of the Aircraft and (ii) funds are available in the Indenture Estate to pay for all such insurance or, in lieu of such insurance, the Loan Trustee is furnished with indemnification from the holders of the Equipment Notes or any other Person upon terms and in amounts satisfactory to the Loan Trustee in its discretion to protect the Indenture Estate and the Loan Trustee, as trustee and individually, against any and all such liabilities.

(d) Subject to Section 8.03(e) and 8.03(h), the Loan Trustee may proceed to protect and enforce this Indenture and the Equipment Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein contained or in execution or aid of any power herein granted; or for foreclosure hereunder, or for the appointment of a receiver or receivers for the Indenture Estate or any part thereof, or for the recovery in judgment for the indebtedness secured by the Lien created under this Indenture or for the enforcement of any other proper, legal or equitable remedy available under applicable law.

(e) Notwithstanding any provision of this Indenture to the contrary, including, without limitation, Sections 8.03(b), 8.03(c) and 8.03(d), so long as no Indenture Event of Default shall have occurred and be continuing, the Loan Trustee shall not take any action contrary to, or disturb, the Company's rights to possession and use of, and quiet enjoyment of, the Aircraft.

(f) Each and every right, power and remedy herein given to the Loan Trustee specifically or otherwise in this Indenture shall be cumulative and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy whether specifically herein given or otherwise existing may be exercised from time to time and as often in such order as may be deemed expedient by the Loan Trustee, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy. No delay or omission by the Loan Trustee in the exercise of any right, remedy or power or in pursuing any remedy shall impair any such right, power or remedy or be construed to be a waiver of any default on the part of the Company or to be an acquiescence therein.

(g) Notwithstanding any provision hereof, if any payment of principal of any Equipment Note shall not be made when and as the same shall become due and payable, or if any payment of interest on any Equipment Note shall not be made when and as the same shall become due and payable, and such failure shall continue for the period prescribed in Section 8.01(a), the Loan Trustee shall be entitled to recover judgment, in its own name and as trustee of an express trust, upon the Equipment Note for the whole amount of such principal or interest, as the case may be, remaining unpaid.

(h) Notwithstanding anything contained herein, so long as the Pass Through Trustee is the registered holder of any Equipment Note hereunder, the Loan Trustee is not authorized or empowered to acquire title to all or any portion of the Indenture Estate or take any action with respect to all or any portion of the Indenture Estate so acquired by it if such acquisition or action would cause any Pass Through Trust to fail to qualify as a "grantor trust" for Federal income tax purposes.

Section 8.04. Waiver of Company. To the extent now or at any time hereafter enforceable under applicable law, the Company covenants that it will not at any time insist upon or plead, or in any manner whatsoever claim or take any benefit or advantage of, any stay or extension law now or at any time hereafter in force, nor claim, take nor insist upon any benefit or advantage of or from any law now or hereafter in force providing for the valuation or appraisal of the Indenture Estate or any part thereof, prior to any sale or sales thereof to be made pursuant to any provision herein contained, or to the decree, judgment or order of any court of competent jurisdiction; nor, after such sale or sales, claim or exercise any right under any statute now or hereafter made or enacted by any state or otherwise to redeem the property so sold or any part thereof, and hereby expressly waives for itself and on behalf of each and every Person, except decree or judgment creditors of the Company acquiring any interest in or title to the Indenture Estate or any part thereof subsequent to the date of this Indenture, all benefit and advantage of any such law or laws, and covenants that it will not invoke or utilize any such law or laws or otherwise hinder, delay or impede the execution of any power herein granted and delegated to the Loan Trustee, but will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

The Loan Trustee may maintain such a proceeding even if it does not possess any of the Equipment Notes or does not produce any of them in the proceeding. A delay or omission by the Loan Trustee or any Loan Participant in exercising any right or remedy accruing upon an Indenture Event of Default under this Indenture shall not impair the right or remedy or constitute a waiver of or acquiescence in such Indenture Event of Default.

(I) Section 9.11 thereof shall read as follows:

Section 9.11. Assumption of Certain Obligations.

Notwithstanding any provision to the contrary contained herein, any reference in this Article 9 to the Owner Trustee or to any obligation of the Owner Trustee shall be deemed to be a reference to the Company or to an obligation of the Company, as the case may be, any reference to "Lease Event of Default" shall be deemed to be a reference to an "Indenture Event of Default," all provisions requiring notices to the Owner Trustee or the Owner Participant shall be deemed to be deleted for the purposes of this Article 9 and any provision in this Article 9 requiring the action or consent of the Owner Trustee shall be deemed to require the action or approval of the Company.

(J) Sections 10.01 and 10.04 thereof shall read as follows:

Section 10.01. Satisfaction and Discharge of Agreement; Defeasance; Termination of Obligations. Subject to Section 10.02, this Indenture shall cease to be of further effect, and the Company and the Loan Trustee shall be deemed to have been discharged from their respective obligations with respect to the Equipment Notes (and the Loan Trustee, on demand and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture in respect of the Equipment Notes), when

(a) (i) all Equipment Notes theretofore executed and delivered (other than (A) Equipment Notes which have been mutilated, destroyed, lost or stolen and which have been replaced or exchanged as provided in Section 2.06 and (B) Equipment Notes for the payment of which money held in trust hereunder has been paid and discharged from such trust, as provided in Section 7.01) have been delivered to the Loan Trustee for cancellation; or

(ii) all Equipment Notes not theretofore delivered to the Loan Trustee for cancellation have become due and payable (whether upon stated maturity, as a result of redemption or upon acceleration), or will become due and payable (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of the deposit referred to below) at maturity within one year, and there has been deposited with the Loan Trustee in trust for the purpose of paying and discharging the entire indebtedness of the Equipment Notes not theretofore cancelled by the Loan Trustee or delivered to the Loan Trustee for cancellation, an amount in cash sufficient without reinvestment thereof to discharge such indebtedness, including the principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and interest on the Equipment Notes to the date of such deposit (in the case of Equipment Notes which have become due and payable), or to the maturity thereof, as the case may be, plus all other amounts payable to the Loan Participants; or

(iii) (A) the Company has deposited or caused to be deposited irrevocably (except as provided in Section 10.04) with the Loan Trustee as trust funds in trust, specifically pledged as security for, and dedicated solely to, the benefit of the Loan Participants, (1) money in an amount, or (2) U.S. Government Obligations which, through the payment of interest and principal in respect thereof in accordance with their terms, will provide (not later than one Business Day before the due date of any payment referred to below in this clause) money in an amount, or (3) a combination of money and U.S. Government Obligations referred to in the foregoing clause (2), sufficient, in the opinion of a nationally recognized firm of independent certified public accountants expressed in a written certification thereof delivered to the Loan Trustee, to pay and discharge each installment of principal of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case maybe, and interest on the Outstanding Equipment Notes on the dates such payments of principal or interest are due (including as a result of redemption in respect of which irrevocable notice has been given to the Loan Trustee on or prior to the date of such deposit) and no Indenture Event of Default or Indenture Default under any of Sections 8.01(f) through 8.01(i) hereof shall have occurred and be continuing on the date of such deposit or at any time during the period

ending on the 91st day after such date; provided further that, upon the making of the deposit referred to above in clause (A), the right of the Company to cause the redemption of Equipment Notes (except redemption in respect of which irrevocable notice has theretofore been given) shall terminate;

(B) such deposit will not result in a breach or violation of, or constitute an Indenture Default or Indenture Event of Default under, this Indenture or a default or event of default under any other agreement or instrument to which the Company is a party or by which it is bound; and

(C) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel to the effect that there has been published by the Internal Revenue Service a ruling to the effect that Loan Participants will not recognize income, gain or loss for Federal income tax purposes as a result of the exercise by the Company of its option under this Section 10.01(a)(iii) and will be subject to Federal income tax on the same amount and in the same manner and at the same time as would have been the case if such option had not been exercised;

(b) all other amounts then due and payable hereunder have been paid; and

(c) the Company has delivered to the Loan Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for relating to the satisfaction and discharge of this Indenture contemplated by this Section 10.01 have been complied with.

Section 10.04. Monies to Be Returned to the Company. The Loan Trustee and any Paying Agent shall promptly pay or return to the Company upon request of the Company any money or U.S. Government Obligations held by them at any time that are not required for the payment of the amounts described above in Section 10.03 for which money or U.S. Government Obligations have been deposited pursuant to Section 10.01.

(K) Sections 11.01, 11.02 and 11.06 thereof shall read as follows:

Section 11.01. Amendments to This Agreement Without Consent of Loan Participants. The Company and the Loan Trustee may enter into one or more agreements supplemental hereto without the consent of any Loan Participant for any of the following purposes:

(1) (a) to cure any defect or inconsistency herein or in the Equipment Notes or to make any change not inconsistent with the provisions hereof (provided that such change does not adversely affect the interests of any Loan Participant) or (b) to cure any ambiguity or correct any mistake;

(2) to evidence the succession of another corporation to the Company, or to evidence (in accordance with Article 9) the succession of a new trustee hereunder, the removal of the trustee hereunder or the appointment of any co-trustee or co-trustees or any separate or additional trustee or trustees;

(3) to convey, transfer, assign, mortgage or pledge any property to or with the Loan Trustee or to make any other provisions with respect to matters or questions arising hereunder so long as such action shall not adversely affect the interests of the Loan Participants;

(4) to correct or amplify the description of any property at any time subject to the Lien of this Indenture or better to assure, convey and confirm unto the Loan Trustee any property subject or required to be subject to the Lien of this Indenture or to subject to the Lien of this Indenture the Airframe or Engines or airframe or engines substituted for the Airframe or Engines in accordance herewith;

(5) to add to the covenants of the Company, for the benefit of the Loan Participants, or to surrender any rights or power herein conferred upon the Company;

(6) to add to the rights of the Loan Participants; or

(7) to include on the Equipment Notes any legend as may be required by law.

Section 11.02. Amendments to This Indenture with Consent of Loan Participants. (a) With the written consent of the Loan Participants holding a majority of the aggregate

principal amount of the Outstanding Equipment Notes, the Company and the Loan Trustee may enter into such supplemental agreements to add any provisions to or to change or eliminate any provisions of this Indenture or of any such supplemental agreements or to modify the rights of the Loan Participants; provided, however, that without the consent of each Loan Participant affected thereby, an amendment under this Section 11.02 may not:

(1) reduce the principal amount of, any Installment Payment Amount payable with respect to, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, or interest on, any Equipment Note is due or payable; or

(3) create any Lien on the Indenture Estate prior to or pari passu with the Lien thereon under this Indenture except such as are permitted by this Indenture, or deprive any Loan Participant all or any part of the benefit of the Lien on the Indenture Estate created by this Indenture; or

(4) reduce the percentage in principal amount of the Outstanding Equipment Notes, the consent of whose holders is required for any such supplemental agreement, or the consent of whose holders are required for any waiver (of compliance with certain provisions of this Indenture or of certain defaults hereunder or their consequences) provided for in this Indenture; or

(5) make any change in Section 8.05 or 8.08 or this Section 11.02(a); or

(6) change the definition of "Indenture Estate" or the amounts secured thereby.

(b) It is not necessary under this Section 11.02 for the Loan Participants to consent to the particular form of any proposed supplemental agreement, but it is sufficient if they consent to the substance thereof.

(c) Promptly after the execution by the Company and the Loan Trustee of any supplemental agreement pursuant to the provisions of this Section 11.02, the Company shall transmit by first-class mail a notice, setting forth in

general terms the substance of such supplemental agreement, to all Loan Participants, as the names and addresses of such Loan Participants appear on the Register. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental agreement.

Section 11.06. Amendments, Waivers, etc. of Other Operative Documents. (a) Without the consent of the Loan Participants holding a majority in principal amount of Outstanding Equipment Notes, the parties to the Participation Agreement may not modify, amend or supplement said agreement, or give any consent, waiver, authorization or approval thereunder, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder; provided, however, that the actions specified in subsection (b) of this Section 11.06 may be taken without the consent of the Loan Trustee or any Loan Participant.

(b) Subject to the provisions of subsection (c) of this Section 11.06, the parties to the Participation Agreement at any time and from time to time without the consent of the Loan Trustee or of any Loan Participant may:

(1) [Intentionally Omitted]

(2) [Intentionally Omitted]

(3) modify, amend or supplement the Participation Agreement, or give any consent, waiver, authorization or approval with respect thereto, except that without the consent of the Loan Participants holding a majority in principal amount of Outstanding Pass Through Equipment Notes, the parties to the Participation Agreement shall not modify, amend or supplement, or give any consent, waiver, authorization or approval for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions thereof or of modifying in any manner the rights of the respective parties thereunder, with respect to the following provisions of the Participation Agreement as in effect on the Refunding Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants holding the Pass Through Equipment Notes), Section 8, Section 10, Section 13, Section 16(b) and, to the extent the Loan Participants holding the Pass Through Equipment Notes would be ad-

versely affected thereby, Section 16(c) and Section 17 and any definition of terms used in the Participation Agreement, to the extent that any modification of such definition would result in a modification of the Participation Agreement not permitted pursuant to this subsection (b); and

(4) modify, amend or supplement said agreement in order to cure any ambiguity, a correct or supplement any provisions thereof which may be defective or inconsistent with any other provision thereof or of any provision of this Indenture, or to make any other provision with respect to matters or questions arising thereunder or under this Indenture which shall not be inconsistent with the provisions of this Indenture, provided the making of any such other provision shall not adversely affect the interests of the Loan Participants.

(c) [Intentionally Omitted]

(L) Sections 12.01, 12.02 and 12.06 thereof shall read as

follows:

Section 12.01. Notices. (a) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Indenture shall be in English and in writing, and any such notice may be given by United States mail, courier service, telegram, telex, teletype, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, teletype, telecopy, telefax, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered, or if mailed, three days after deposit in the United States mail with proper postage for ordinary mail prepaid,

if to the Company, to:

American Airlines, Inc.  
P.O. Box 619616  
4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155

Attention: Senior Vice President-Finance  
Telex: 73-0613  
Answerback: AMAIR DFWDAL  
Facsimile: (817) 963-4318  
Telephone: (817) 963-1234

if to the Loan Trustee, to:

State Street Bank and Trust Company of  
Connecticut, National Association  
c/o State Street Bank and Trust Company  
Two International Place -- 4th Floor  
Boston, Massachusetts 02110

Attention: Corporate Trust Department  
(AA 1995 PTC Series AC)  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

(c) Any notice or communication to Loan Participants shall be mailed by first-class mail to the addresses for Loan Participants shown on the Register kept by the Registrar and to addresses filed with the Loan Trustee for other Loan Participants. Failure so to mail a notice or communication or any defect in such notice or communication shall not affect its sufficiency with respect to other Loan Participants.

(d) If a notice or communication is mailed in the manner provided above within the time prescribed, it is conclusively presumed to have been duly given, whether or not the addressee receives it.

(e) If the Company mails a notice or communication to the Loan Participants, it shall mail a copy to the Loan Trustee and to each Paying Agent at the same time.

(f) Notwithstanding the foregoing, all communications or notices to the Loan Trustee shall be deemed to be given only when received by a Responsible Officer of the Loan Trustee.

Section 12.02. Certificate and Opinion as to Conditions Precedent. Upon any request or application by the Company to the Loan Trustee to take any action under this Indenture, the Company shall furnish to the Loan Trustee:

(1) a Certificate of a Responsible Officer of the Company stating that, in the opinion of the signers, all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with; and

(2) an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent having been complied with.

Section 12.06. No Recourse Against Others. No director, officer, employee or stockholder, as such, of the Company shall have any liability for any obligations of the Company under this Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each Loan Participant by accepting an Equipment Note waives and releases all such liability. The waiver and release are part of the consideration for the issue of the Equipment Notes.

(M) Article 13 thereof shall read as follows:

ARTICLE 13

ACTIONS TO BE TAKEN UPON REDEMPTION AND UPON  
SATISFACTION OF OBLIGATIONS HEREUNDER

Section 13.01. Actions to Be Taken upon Redemption and upon Satisfaction of Obligations Hereunder. Upon any of

(a) an Event of Loss suffered by the Airframe under circumstances where the Company does not exercise its option to substitute a Replacement Airframe therefor pursuant to Section 10(a)(i) of Article 15 hereof, and upon payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(b) a redemption of all Outstanding Equipment Notes pursuant to Section 6.02, and upon the payment to the Loan Trustee of an amount equal to the Redemption Price as at the Redemption Date of all Outstanding Equipment Notes, or

(c) satisfaction and discharge, defeasance and termination of the obligations under this Indenture in accordance with Section 10.01 hereof,

the Lien of this Indenture on the Indenture Estate shall terminate (except for the Lien on funds held by the Loan Trustee to pay the Equipment Notes or the Loan Trustee) and the Loan Trustee shall execute such instruments as may be reasonably requested by the Company to evidence such termination.

(N) Article 14 thereof shall read as follows:

ARTICLE 14

Section 14.01. Issuance of Equipment Notes After Redemption.

Following a redemption of the Equipment Notes of any Maturity in accordance with Section 6.02(b) hereof the Company may issue and sell and the Loan Trustee shall authenticate, one or more new series of Equipment Notes in an aggregate principal amount up to the aggregate principal amount of the Equipment Notes then being redeemed and having such terms and provisions (including, without limitation, interest rate, amortization schedule, maturity date and redemption provisions) as the Company shall deem appropriate; provided that if after such redemption any Equipment Notes remain outstanding the new series of Equipment Notes:

- (i) shall be denominated and payable in United States Dollars and shall not be in a principal amount greater than the Equipment Notes redeemed;
- (ii) shall not rank senior in any respect to the Equipment Notes which remain outstanding; and
- (iii) shall not have a maturity after or have a weighted average life longer than the Equipment Notes redeemed if any of the Equipment Notes remain outstanding have a maturity date after or concurrent with the maturity date of the Equipment Notes redeemed; and

provided further, that prior to authentication and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Rating Group, a division of McGraw-Hill, Inc. and Moody's Investors Service, Inc. to the effect that the issuance of such new series, by itself, would not result in a downgrading of the credit rating assigned to the Pass Through Certificates then outstanding (if any), and (ii) an Opinion of Counsel for the Company reasonably satisfactory to the Loan Trustee to the effect that the protection afforded by Section 1110 of the Bankruptcy Code to the existing Loan Participants would not be adversely affected by the issuance of such new series of Equipment Notes; provided that such opinion need not be delivered to the extent that the benefits of such Section 1110 are not available to the Loan Participants with respect to the Aircraft immediately prior to such Assumption; and provided further, that such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered

pursuant to Section 3(k) of the Refunding Agreement on the Refunding Date.

(0) The Indenture shall include the following Article 15:

This Article 15 consists of Sections 6, 7, 8, 10, 11, 12, 17, 24, 27, 28, 29 and 30. Sections 1 through 5, 9, 13 through 16, 18 through 23, 25 and 26 are intentionally omitted.

Section 6. Liens. The Company will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Airframe or any Engine, title thereto or any interest therein except (i) the respective rights of the Loan Trustee and the Company as herein provided and the Lien created hereunder, and the rights of each Loan Participant, the Loan Trustee and the Pass Through Trust Trustee under this Indenture, the Participation Agreement, the Refunding Agreement and the Pass Through Trust Agreements, (ii) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 7(b) and 8(b) of this Article, (iii) Loan Participant Liens and Trustee's Liens, (iv) Liens for Taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (vi) Liens arising out of judgments or awards against the Company with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review and (vii) salvage or similar rights of insurers under insurance policies maintained pursuant to Section 11 of this Article. The Company will promptly, at its own expense, take such action as may be necessary duly to discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

Section 7. Registration, Maintenance and Operation;  
Possession; Insignia. (a) Registration, Maintenance and Operation. The  
Company, at its own cost and expense, shall:

(i) cause the Aircraft at all times to be duly registered, under the laws of the United States, in the name of the Company, as owner, except as otherwise required by the Federal Aviation Act; provided that the Loan Trustee shall execute and deliver all such documents as the Company shall reasonably request for the purpose of effecting and continuing such registration. Notwithstanding the preceding sentence, but subject always to the terms and conditions set forth in Section 7.02 of this Indenture, the Company may cause the Aircraft to be duly registered under the laws of any jurisdiction in which a lessee pursuant to Section 7(b)(ix) of this Article could be principally based and shall thereafter maintain such registration unless and until changed as provided herein and therein; and the Loan Trustee will cooperate with the company in effecting such foreign registration;

(ii) maintain, service, repair, overhaul and test the Aircraft in accordance with a maintenance program (as approved by the Federal Aviation Administration) for Boeing 767-300 series aircraft (or, at the Company's option, (x) in the event that the Aircraft is re-registered in another jurisdiction pursuant to Section 7(a)(i) of this Article, in accordance with an aircraft maintenance program approved by the central civil aviation authority of the jurisdiction of such registration or (y) in the event of any lease to a foreign air carrier in accordance with Section 7(b)(ix) of this Article, approved by the central civil aviation authority of one of the jurisdictions specified in clause (y) of such Section 7(b)(ix)) and in the same manner and with the same care used by the Company with respect to comparable aircraft and engines owned or operated by the Company and utilized in similar circumstances so as to keep the Aircraft in as good operating condition as when delivered to the Company by the Manufacturer, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times (other than during temporary periods of storage in accordance with applicable regulations or during periods of grounding by applicable governmental authorities, except where such periods of

grounding are the result of the failure by the Company to maintain the Aircraft as otherwise required herein) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction and in compliance with all applicable manufacturer's alert service bulletins;

(iii) maintain, in the English language, all records, logs and other materials required by the appropriate authorities in the jurisdiction where the Aircraft is registered to be maintained in respect of the Aircraft; and

(iv) promptly furnish to the Loan Trustee such information as may be required to enable the Loan Trustee to file any reports, returns or statements required to be filed by the Loan Trustee with any governmental authority because of the Loan Trustee's interest in the Aircraft.

The Company agrees that the Aircraft will not be maintained, used or operated in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority; provided that the Company shall not be in default under this sentence if it is not possible for it to comply with the laws of a jurisdiction other than the United States (or other than any jurisdiction in which the Aircraft is then registered) because of a conflict with the applicable laws of the United States (or such jurisdiction in which the Aircraft is then registered). In the event that any such law, rule, regulation or order requires alteration of the Aircraft, the Company will conform thereto or obtain conformance therewith at no expense to the Loan Trustee and will maintain the Aircraft in proper operating condition under such laws, rules, regulations and orders; provided, however, that the Company may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect the Loan Trustee, the Aircraft, the Loan Participants or the Lien of this Indenture. The Company also agrees not to operate or locate the Aircraft, or suffer the Aircraft to be operated or located, (i) in any area excluded from coverage by any insurance required by the terms of Section 11 of this Article, except in the case of a requisition for use by any Government where the Company obtains indemnity pursuant to Section 11 of this Article in lieu of such insurance from

such Government against the risks and in the amounts required by Section 11 of this Article in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 of this Article covering such area, or (ii) in any war zone or recognized or, in the Company's judgment, threatened area of hostilities unless covered by war risk insurance in accordance with Section 11 of this Article, but only so long as the same remains in effect while the Aircraft is so operated or located, or unless the Aircraft is operated or used under contract with any Government entered into pursuant to Section 11 of this Article, under which contract such Government assumes liability for any damage, loss, destruction or failure to return possession of the Aircraft at the end of the term of such contract or for injury to persons or damage to property of others.

(b) Possession. The Company will not, without the prior written consent of the Loan Trustee, lease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided that, so long as no Indenture Event of Default shall have occurred and be continuing, and so long as the action to be taken shall not deprive the Loan Trustee of the perfected lien of this Indenture on the Airframe or (subject to the subclause (B) of the "provided further" clause to subsection (i) of this Section 7(b)) any Engine, and in any event, so long as the company shall comply with the provisions of Section 11, the Company may, without the prior consent of the Loan Trustee:

(i) subject the Airframe to normal interchange agreements or any Engine to normal interchange or pooling agreements or arrangements in each case customary in the airline industry and entered into by the Company in the ordinary course of its business with any other United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority or with any "foreign air carrier" (as such term is defined in such Act) as to which there is in force a permit issued pursuant to Section 402 of said Act (any such United States certificated air carrier and any such foreign air carrier being hereinafter called a "Permitted Air Carrier"); provided that no transfer of the registration of such Airframe shall be effected in connection therewith; and provided, further, that (A) no such agreement or arrangement contemplates or requires the transfer of title to the

Airframe and (B) if the Company's title to any such Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and the Company shall comply with Section 10(b) of this Article in respect thereof;

(ii) deliver possession of the Airframe or any Engine to the manufacturer thereof for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on the Airframe or such Engine or any part thereof or for alterations or modifications in or additions to the Airframe or such Engine to the extent required or permitted by the terms of Section 7(a) or 8(c) of this Article;

(iii) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to a sublease, contract or other instrument, a copy of which shall be furnished to the Loan Trustee;

(iv) transfer possession of the Airframe or any Engine to the United State of America or any instrumentality or agency thereof in accordance with applicable laws, rulings, regulations or orders (including, without limitation, the Civil Reserve Air Fleet Program authorized under 10 U.S.C. Section 9511 et seq. or any substantially similar program);

(v) install an Engine on an airframe owned by the Company free and clear of all Liens, except (A) those of the type permitted under clauses (i), (iii), (iv), (v), (vi) and (vii) of Section 6 of this Article and those which apply only to the engines (other than Engines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety) and (B) the rights of other Permitted Air Carriers under normal interchange agreements which are customary in the airline industry and do not contemplate, permit or require the transfer of title to the airframe or engines installed thereon;

(vi) install an Engine on an airframe leased to the Company or owned by the Company subject to a conditional sale or other security agreement; provided that (A) such airframe is free and clear of all Liens except the right of the parties to the lease or con-

ditional sale or other security agreement covering such airframe and except Liens of the type permitted by clauses (A) and (B) of subparagraph (v) of this paragraph of Section 7(b) of this Article and (B) the Company shall have obtained from the lessor or secured party of such airframe a written agreement (which may be the lease or conditional sale or other security agreement covering such airframe), in form and substance satisfactory to the Loan Trustee (it being understood that an agreement from such lessor or secured party substantially in the form of the final sentence of the penultimate paragraph of this Section 7(b) of this Article shall be deemed to be satisfactory to the Loan Trustee), whereby such lessor or secured party expressly agrees that neither it nor its successors or assigns will acquire or claim any right, title or interest in any Engine by reason of such Engine being installed on such airframe at any time while such Engine is subject to the lien of the Trust Indenture;

(vii) install an Engine on an airframe owned by the Company, leased to the Company or owned by the Company subject to a conditional sale or other security agreement under circumstances where neither subparagraph (v) nor subparagraph (vi) of this Section 7(b) of this Article is applicable; provided that such installation shall be deemed an Event of Loss with respect to such Engine and the Company shall comply with Section 10(b) of this Article in respect thereof, the Loan Trustee not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by the Company with such Section 10(b) of this Article;

(viii) lease any Engine or the Airframe and Engines or engines then installed on the Airframe to any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or successor provision that gives like authority;

(ix) lease any Engine or the Airframe and Engines or engines then installed on the Airframe to (A) any foreign air carrier that is principally based in and a domiciliary of a country (other than Cuba, El Salvador, Iran, Iraq, Lebanon and Libya) that is at the inception of the lease a party to the Mortgage Convention, or (B) any foreign air carrier that is principally based

in and a domiciliary of a country listed in Schedule I hereto, or (C) any foreign air carrier not described in clause (A) or (B) above; provided that (w) in the case only of a lease to a foreign air carrier under clause (C) above, the Loan Trustee receives at the time of such lease an opinion of counsel to the Company (which counsel shall be reasonably satisfactory to the Loan Trustee) to the effect that (a) the terms of the lease and the Operative Documents are legal, valid, binding and enforceable in the country in which such air carrier is principally based, to substantially the same extent as the Operative Documents are at that time enforceable in the United States, (b) it is not necessary for the Loan Trustee to qualify to do business in such country solely as a result of the proposed lease, (c) there is no tort liability of the Loan Trustee as a result of the Lien of this Indenture under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on the Loan Trustee under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Loan Trustee, such opinion shall be waived if insurance reasonably satisfactory to the Loan Trustee is provided by the Company to cover the risk of such liability), (d) the laws of such country require fair compensation by the government of such country for the loss of the use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Company shall have agreed to provide insurance reasonably satisfactory to the Loan Trustee covering the risk of requisition of use of the Aircraft by the government of such jurisdiction so long as the aircraft is leased in such country), and (e) there exist no possessory rights in favor of such lessee under the laws of such country which would, upon bankruptcy of or other default by the Company or the lessee, prevent the return of such Engine or the Airframe and such Engine or engine to the Loan Trustee in accordance with and when permitted by the terms of this Indenture (x) in the case only of a lease to a foreign air carrier under clause (C) above, the Loan Trustee receives assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Company shall have agreed to provide the requisition insurance described in subclause (d) of clause (w) above), (y) in the case of any lease to a foreign air

carrier, either the lease, or an arrangement existing between the Company, the lessee and/or one or more third parties that provide maintenance services, provides that the Aircraft will be maintained, serviced, repaired, overhauled and tested in accordance with maintenance standards for Boeing 767-300 series aircraft approved by, or substantially similar to those approved or required by, the Federal Aviation Administration or the central civil aviation authority of any of Brazil, Canada, France, The Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, Switzerland or the United Kingdom and (z) in the case of any lease to a foreign air carrier (other than a foreign air carrier principally based in Taiwan) the United States of America maintains diplomatic relations with the country in which such foreign air carrier is principally based at the time such lease is entered into;

provided that the rights of any transferee who receives possession by reason of a transfer permitted by this Section 7(b) (other than the transfer of an Engine which is deemed an Event of Loss) shall be subject and subordinate to, and any lease permitted by this Section 7(b) shall be made expressly subject and subordinate to, all the terms of this Indenture, including, without limitation, the Loan Trustee's rights to repossession pursuant to Article 8 hereof and to avoid such lease upon such repossession and the Loan Trustee's rights to possession pursuant to Section 8.03 of this Indenture, and the Company shall in all events remain primarily liable hereunder for the performance and observance of all of the terms and conditions of this Indenture to the same extent as if such lease or transfer had not occurred, and any such lease shall include appropriate provisions for the maintenance (subject to clause (y) of the proviso to Section 7(b)(ix) of this Article) and insurance of the Aircraft. The Company shall not lease the Aircraft to an air carrier that at the inception of the lease is subject to bankruptcy, insolvency or other similar proceedings unless the lease shall have been approved by the receiver, liquidator, conservator, court or other governmental or administrative authority or entity responsible for the adjudication or administration of such proceedings. No interchange agreement, pooling agreement, lease or other relinquishment of possession of the Airframe or any Engine shall in any way discharge or diminish any of the Company's obligations to the Loan Trustee hereunder or under the Participation Agreement. With the prior written consent of the Loan Trustee, the Company may sublease the Airframe or En-

gines in connection with a transaction that involves such a sublease commencing at the inception of the transaction. The Loan Trustee hereby agrees, for the benefit of the lessor or secured party of any airframe leased by the Company or owned by the Company subject to a conditional sale or other security agreement, that the Loan Trustee will not acquire or claim, as against such lessor or secured party, any right, title or interest in any engine or engines owned by the lessor under such lease or subject to a security interest in favor of the secured party under such conditional sale or other security agreement as the result of such engine or engines being installed on the Airframe at any time while such engine or engines are subject to such lease or conditional sale or other security agreement.

The Loan Trustee acknowledges that any "wet lease" or other similar arrangement under which the Company maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 7(b).

(c) Insignia. The Company agrees to at all times maintain in the cockpit of the Airframe adjacent to the airworthiness certificate therein and (if not prevented by applicable law or regulations or by any governmental authority) on each Engine a nameplate bearing the inscription "STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE, MORTGAGEE" (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Loan Trustee).

Section 8. Replacement and Pooling of Parts; Alterations, Modifications and Additions. (a) Replacement of Parts. The Company, at its own cost and expense, will promptly replace all Parts which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use for any reason whatsoever, except as otherwise provided in Section 8(c) of this Article. In addition, the Company may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use; provided that the Company, except as otherwise provided in Section 8(c) of this Article, will, at its own cost and expense, replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all Liens (ex-

cept for pooling arrangements to the extent permitted by Section 8(b) of this Article and Permitted Liens) and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. All Parts at any time removed from the Airframe or any Engine shall remain subject to the Lien of this Indenture, no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the Airframe or such Engine and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Airframe or any Engine as above provided without further act, (i) title to the replaced Part shall thereupon be free and clear of all rights of the Loan Trustee, and shall no longer be deemed a Part hereunder, (ii) title to such replacement Part shall thereupon be subject to the Lien of this Indenture, free and clear of all Liens (except for Permitted Liens) and (iii) such replacement Part shall become subject to this Indenture and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Parts originally incorporated or installed in or attached to the Airframe or such Engine.

(b) Pooling of Parts. Any Part removed from the Airframe or any Engine as provided in Section 8(a) of this Article may be subjected by the Company to a normal pooling arrangement customary in the airline industry entered into in the ordinary course of the Company's business with Permitted Air Carriers; provided that the Part replacing such removed Part shall be incorporated or installed in or attached to the Airframe or such Engine in accordance with Section 8(a) of this Article as promptly as practicable after the removal of such removed Part. In addition, any replacement Part, when incorporated or installed in or attached to the Airframe or any Engine in accordance with Section 8(a) of this Article, may be owned by a Permitted Air Carrier subject to such a normal pooling arrangement; provided that the Company, at its expense, as promptly thereafter as is practicable, either (i) causes title to such replacement Part to vest in the Company free and clear of all Liens except Permitted Liens, at which time such replacement Part shall, in accordance with Section 8(a) of this Article, become a Part and become subject to the Lien of this Indenture or (ii) replaces such replacement Part by incorporating or installing in or attaching to the Airframe or such Engine a further replacement Part owned by the Com-

pany free and clear of all Liens (other than Permitted Liens), which shall without further act be subject to the Lien of this Indenture.

(c) Alterations, Modifications and Additions. The Company, at its own expense, will make such alterations and modifications in and additions to the Airframe and the Engines as may be required from time to time to meet the standards of the Federal Aviation Administration or other governmental authority having jurisdiction in any country in or over which the Aircraft is flown, provided, however, that the Company may, in good faith, contest the validity or application of any such standard in any reasonable manner which does not materially adversely affect the Loan Trustee or the Lien of this Indenture, but only so long as such proceedings do not involve any material danger of criminal liability or material danger of civil liability to the Loan Trustee, or a material danger of the sale, forfeiture or loss of the Aircraft or any Engine or any interest therein. In addition, the Company, at its own expense, may from time to time make or cause to be made such alterations and modifications in and additions to the Airframe or any Engine as the Company may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts; provided that no such alterations, modification, additional or removal shall materially diminish the value or utility of the Airframe or such Engine or of the Aircraft, or materially impair the condition or airworthiness thereof, below the value, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or removal assuming the Airframe or such Engine was then of the value and utility and in the condition and airworthiness required to be maintained by the terms of this Indenture, except that the value (but not the utility, condition or airworthiness) of the Aircraft may be reduced by the value of Parts which the Company deems obsolete or no longer suitable or appropriate for use in the Airframe or any Engine which shall have been removed, if the aggregate value of such obsolete or unsuitable Parts removed from the Aircraft and not replaced shall not exceed \$500,000. All Parts incorporated or installed in or attached or added to the Airframe or any Engine as the result of such alteration, modification or addition shall, without further act, be subject to the Lien of this Indenture. Notwithstanding the foregoing, the Company may, at any time, remove any Part; provided that (i) such Part is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to the Airframe or such Engine at the time of delivery thereof under the Lease

or hereunder, or any Part in replacement of, or substitution for, any such Part, (ii) such Part is not required to be incorporated or installed in or attached or added to such Airframe or Engine pursuant to the first sentence of this Section 8(c), and (iii) such Part can be removed from the Airframe or such Engine without materially diminishing or impairing the value, utility, condition or airworthiness required to be maintained by the terms of this Indenture had such removal not occurred. Upon the removal by the Company of any Part as provided in the immediately preceding sentence, or the removal of any obsolete or unsuitable part permitted by this Section 8(c), such Part shall no longer be deemed part of the Airframe or the Engine from which it was removed and shall no longer be subject to the Lien of this Indenture. Any such Part not removed by the Company as provided in Section 8(c)(iii) of this Article shall remain subject to the Lien of this Indenture.

Section 10. Loss, Destruction, Requisition, Etc. Event of Loss with Respect to an Airframe. (a) Upon the occurrence of an Event of Loss with respect to the Airframe, the Company shall forthwith (and, in any event, within 30 days after such occurrence) give the Loan Trustee written notice of such Event of Loss and of its election to perform one of the following options (it being agreed that if the Company shall not have given notice of such election within such 30 days after such occurrence, the Company shall be deemed to have elected to perform the option set forth in the following clause (ii)):

i. as promptly as practicable, and in any event on or before the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss, in replacement for the Airframe, the Company shall convey or cause to be conveyed to the Loan Trustee a security interest in and to one or more Replacement Airframes (together with the same number of Replacement Engines as the Engines, if any, installed on the Airframe at the time such Event of Loss occurred), such Replacement Airframe and Replacement Engines to be duly certificated as airworthy by the central aviation authority of the jurisdiction of the registry of such Replacement Airframes and Engines, free and clear of all Liens (other than Permitted Liens), to have a value and utility at least equal to, and to be in as good operating condition as, the Airframe and Engines, if any, so replaced (assuming such Airframe and Engines were in the condition and repair required by the terms of this Indenture); provided

that, if the Company shall not perform its obligation to effect such replacement under this clause (i) during the period of time provided herein, then the Company shall promptly give notice to the Loan Trustee and shall pay on the Business Day next following the thirtieth day after the end of such period to the Loan Trustee, in U.S. currency, the amounts specified in clause (ii) below; or

ii. on or before the Loss Payment Date (as defined below) the Company shall pay to the Loan Trustee an amount in cash which is sufficient to redeem each Outstanding Equipment Note pursuant to Section 6.01 of the Indenture; provided that the Company may, to the extent provided and in accordance with Section 3.08 hereof, surrender, to the Loan Trustee for cancellation Equipment Notes held by the Company and in such event the Company shall be entitled to a credit against amounts otherwise payable pursuant to this clause (ii). As used herein, "Loss Payment Date" means the earliest of (x) 30 days following the date on which insurance proceeds are received with respect to such Event of Loss, (y) the Business Day next following the 121st day next following the date of occurrence of the Event of Loss and (z) an earlier Business Day irrevocably specified by the Company at least thirty days in advance by notice to the Loan Trustee; provided, however, the Loss Payment Date shall be the date specified in the proviso to clause (i) above if applicable.

Upon compliance by the Company with the requirements of this Section 10(a)(ii), the Loan Trustee shall execute such instruments as may be reasonably requested by the Company releasing the Airframe and Engines from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereof hereunder.

At the time of or prior to any replacement of the Airframe and such Engines pursuant to Section 10(a)(i) of this Article, if any, the Company, at its own expense, will (A) cause a Trust Agreement and Indenture Supplement, substantially in the form of Exhibit C hereto for such Replacement Airframe and Replacement Engines, if any, to be delivered to the Loan Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of the jurisdiction other than the United States of America in which such Replacement Aircraft and Replacement

Engines, if any, are to be registered in accordance with Section 7(a) of this Article, as the case may be, (B) cause a financing statement or statements with respect to the Replacement Airframe and Replacement Engines, if any, or other requisite documents or instruments, to be filed in such place or places as necessary or advisable in order to perfect the security interest therein created by or pursuant to this Indenture, or, if necessary or advisable, pursuant to the applicable laws of the jurisdiction in which such Replacement Aircraft and Replacement Engines, if any, are to be registered in accordance with Section 7(a) of this Article, as the case may be, (C) furnish the Loan Trustee with a certificate of an independent aircraft engineer or appraiser reasonably satisfactory to the Loan Trustee certifying that the Replacement Airframe and Replacement Engines, if any, have a value and utility at least equal to, and are in as good operating condition as, the Airframe and Engines, if any, so replaced assuming the Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (D) furnish the Loan Trustee with (i) such evidence of compliance with the insurance provisions of Section 11 of this Article with respect to such Replacement Airframe and Replacement Engines as the Loan Trustee may reasonably request and (ii) a certificate from a Responsible Officer of the Company certifying that at the time of such replacement, there is no continuing Indenture Event of Default, (E) furnish the Loan Trustee with an opinion of the Company's counsel (which may be the Company's General Counsel) addressed to the Loan Trustee that the substituted property will be subject to the Lien of this Indenture and the Loan Trustee should be entitled to the benefits of Section 1110 of the United States Bankruptcy Code of 1978, as amended, with respect to the Replacement Airframe, provided that (x) such opinion need not be delivered to the extent that the benefits of such Section 1110 were not, by reason of a change in law or governmental interpretation thereof, available to the Loan Trustee with respect to the Aircraft immediately prior to such substitution and (y) such opinion may contain qualifications of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 4(J) of the Participation Agreement on the Delivery Date. In the case of each Replacement Airframe and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10(a), and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10(a), promptly upon the recordation of the Trust Agreement and Indenture Supplement covering such Replacement Airframe and

Replacement Engines, if any, or such Replacement Engine pursuant to the Federal Aviation Act (or pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine, are registered in accordance with Section 7(a) of this Article), the Company will cause to be delivered to the Loan Trustee a favorable opinion of counsel to the Company as to the due registration of such Replacement Aircraft, the due recordation of such Trust Agreement and Indenture Supplement or other requisite documents or instruments and the validity and perfection of the security interest in the Replacement Airframe, Replacement Engines or Replacement Engine, as the case may be, granted to the Loan Trustee under this Indenture.

For all purposes hereof, upon grant of a security interest therein to the Loan Trustee, each Replacement Aircraft and the Replacement Engines, if any, shall be deemed part of the property secured hereunder; each such Replacement Airframe shall be deemed an "Airframe" as defined herein, and each such Replacement Engine shall be deemed an "Engine" as defined herein. Upon full compliance with the terms of the previous paragraph, the Loan Trustee shall execute and deliver to the Company an appropriate instrument releasing such replaced airframe and engines (if any) installed thereon at the time such Event of Loss occurred from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge hereunder.

(b) Event of Loss with Respect to an Engine. Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which there has not occurred an Event of Loss with respect to the Airframe, the Company shall give the Loan Trustee prompt written notice thereof and shall, within 90 days after the occurrence of such Event of Loss, convey or cause to be conveyed to the Loan Trustee, as replacement for the Engine with respect to which such Event of Loss occurred, a security interest in and to a Replacement Engine free and clear of all Liens (other than Permitted Liens) and having a value and utility at least equal to, and being in as good operating condition as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, the Company, at its own expense, will (i) cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit C

hereto or other requisite documents or instruments for such Replacement Engine to be delivered to the Loan Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (ii) furnish the Loan Trustee with a certificate of an aircraft engineer or appraiser (who may be an employee of the Company) certifying that such Replacement Engine has a value and utility at least equal to, and is in as good operating condition as, the Engine so replaced, assuming such Engine was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss and (iii) cause a financing statement or statements with respect to the Replacement Engine or other requisite documents or instruments to be filed in such place or places necessary or advisable in order to perfect the security interest in the Replacement Engine created by or pursuant to this Indenture, or, if necessary or advisable, pursuant to the applicable laws of the jurisdiction in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, and (iv) furnish the Loan Trustee with such evidence of compliance with the insurance provisions of Section 11 of this Article with respect to such Replacement Engine as the Loan Trustee may reasonably request, and (v) furnish the Loan Trustee with an opinion of the Company's counsel (which may be the Company's General Counsel) addressed to the Loan Trustee to the effect that such substituted property will be subjected to the Lien of this Indenture. Upon full compliance by the Company with the terms of this paragraph (b), the Loan Trustee will transfer to the Company, without recourse or warranty (except as to the Trustee's Liens), all of Loan Trustee's right, title and interest in and to the Engine with respect to which such Event of Loss occurred, and Loan Trustee will assign to or as directed by the Company all claims of Loan Trustee against third Persons relating to such Engine arising from such Event of Loss. In addition, upon such transfer the Loan Trustee shall execute and deliver to the Company an appropriate instrument releasing such Engine from the Lien of this Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment (in respect of such Engine) from the assignment and pledge under this Indenture. For all purposes hereof, each such Replacement Engine shall, after such conveyance, be deemed part of the property secured hereunder and shall be deemed an "Engine" as defined herein.

(c) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds the application of which is provided for in Section 11 of this Article) received at any time by the Loan Trustee or by the Company from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Airframe or any Engine, other than a requisition for use by any Government or by the government of registry of the Aircraft not constituting an Event of Loss, will be applied as follows:

(i) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has been or is being replaced by the Company pursuant to Section 10(a) of this Article, such payments shall be paid over to, or retained by, the Loan Trustee, and upon completion of such replacement be paid over to, or retained by, the Company;

(ii) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has not been and will not be replaced pursuant to Section 10(a) of this Article, such payments shall, after reimbursement of the Loan Trustee for costs and expenses, be applied in reduction of the Company's obligation to pay the amounts required to be paid by the Company pursuant to Section 10(a) of this Article, if not already paid by the Company, or, if already paid by the Company, shall be applied to reimburse the Company for its payment of such amounts, and the balance, if any, of such payments remaining thereafter shall be paid over to, and retained by, the Company; and

(iii) if such payments are received with respect to an Engine under circumstances contemplated by Section 10(b) of this Article, so much of such payments remaining after reimbursement of the Loan Trustee for costs and expenses shall be paid over to, or retained by, the Company; provided that the Company shall have fully performed the terms of Section 10(b) of this Article with respect to the Event of Loss for which such payments are made.

(d) Requisition for Use by the Government of the Airframe and the Engines Installed Thereon. In the event of

the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof), including, without limitation, pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv) of this Article of the Airframe and the Engines or engines installed on the Airframe, the Company shall promptly notify the Loan Trustee of such requisition and, except as otherwise provided in this Indenture, such requisition shall not constitute an Event of Loss and all of the Company's obligations under this Indenture with respect to the Aircraft shall continue to the same extent as if such requisition had not occurred unless or until such requisition shall constitute an Event of Loss. All payments received by the Loan Trustee or the Company from the Government or government for the use of the Airframe and Engines or engines prior to the occurrence of an Event of Loss shall be paid over to, or retained by, the Company.

(e) Requisition for Use by the Government of an Engine. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof) of any Engine (but not the Airframe), the Company will replace such Engine hereunder by complying with the terms of Section 10(b) of this Article to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received by the Loan Trustee or the Company from such Government or government with respect to such requisition shall be paid over to, or retained by, the Company.

(f) Application of Payments During Existence of Indenture Event of Default. Any amount referred to in clause (i), (ii) or (iii) of Section 10(c), Section 10(d) or Section 10(e) of this Article which is payable to the Company shall not be paid to the Company, or if it has been previously paid directly to the Company, shall not be retained by the Company, if at the time of such payment an Indenture Event of Default, or an Indenture Default which would constitute an Indenture Event of Default under Section 8.01(a), 8.01(f), 8.01(g), 8.01(h) or 8.01(i), shall have occurred and be continuing, but shall be paid to and held by the Loan Trustee as security for the obligations of the Company under this Indenture, and at such time as there shall not be continuing any such Indenture Event of Default or event, such amount shall be paid to the Company, provided that, if any such amount has been so held by the Loan Trustee as security for more than 90 days after an Event of

Default shall have occurred and during which period (x) the Loan Trustee shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (y) the Loan Trustee shall not have commenced to exercise any remedy available to it under this Indenture, then such amount shall be paid to the Company.

Section 11. Insurance. Public Liability and Property Damage Insurance. (a) Subject to the rights of the Company to establish and maintain self-insurance with respect to public liability and property damage liability insurance for aircraft and engines (including, the Aircraft and Engines) in the manner and to the extent specified in the next sentence, the Company will carry, or cause to be carried, at no expense to the Loan Trustee, any Bank Lender or the Pass Through Trustee, public liability (including, without limitation, contractual liability and passenger legal liability) and property damage liability insurance (exclusive of manufacturer's product liability insurance) with respect to the Aircraft (i) in amounts which are not less than the public liability and property damage insurance applicable to similar aircraft and engines which comprise the Company's fleet on which the Company carries insurance, provided that such liability insurance shall not be less than the amount certified to the Original Loan Participants on the Delivery Date, (ii) of the type usually carried by corporations engaged in the same or similar business, similarly situated with the Company, and owning or operating similar aircraft and engines and covering risks of the kind customarily insured against by the Company, and (iii) which is maintained in effect with insurers of recognized responsibility. The Company may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including, the self-insurance permitted by Section 11(b) of this Article) with respect to all of the aircraft and engines in the Company's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (x) 50% of the largest replacement value of any single aircraft in the Company's fleet or (y) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance, provided that, in the event that there shall have occurred a material adverse change in the financial condition of the Company from such condition as is reflected in the consolidated financial statements of the Company at December 31, 1982, then, upon not less than 30 days' written notice from the Loan Trustee

to the Company, the Company will, until the Company's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as the Loan Trustee may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies of insurance carried in accordance with this Section 11(a) and any policies taken out in substitution or replacement for any of such policies (A) shall name the Loan Trustee, any Bank Lender or the Pass Through Trustee as additional insureds as their respective interests may appear, (B) shall provide that in respect of the respective interests of the Loan Trustee, any Bank Lender and the Pass Through Trustee in such policies the insurance shall not be invalidated by any action or inaction of the Company and shall insure the Loan Trustee's, such Bank Lender's and the Pass Through Trustee's Interests as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any substantial change is made in the policy which affects the coverage certified hereunder to the Loan Trustee, any Bank Lender or the Pass Through Trustee, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Loan Trustee, such Bank Lender or the Pass Through Trustee for 30 days (seven days, or such other period as is customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee, such Bank Lender or the Pass Through Trustee, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall provide that neither the Loan Trustee, such Bank Lender nor the Pass Through Trustee shall have any obligation or liability for premiums, commissions, assessments or calls in connection with such insurance, (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee, such Bank Lender and the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee, such Bank Lender or the Pass Through Trustee to the extent that the Company has waived its rights by its agreements to indemnify any such party pursuant to this Indenture or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from the rights

retained by the Company shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by the Company, (F) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee, any Bank Lender or the Pass Through Trustee with respect to its Interests as such in the Aircraft and (G) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured.

"Interests" as used in this Section 11(a) and Section 11(b) of this Article with respect to any person means the interests of such person in its capacity as Loan Trustee or Pass Through Trustee, as the case may be, in the transaction contemplated by the Participation Agreement and this Indenture. The Company shall arrange for appropriate certification that the requirements of this Section 11(a) have been met to be made to the Loan Trustee (and the Loan Trustee may furnish such certificates to each Loan Participant) as soon as practicable by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom any Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such person shall have entered into an agreement similar to that contained in this Section 11(a) whereby such person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a lease or contract with any Government in respect of the Aircraft or any Engine or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to the Loan Trustee, to indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

(b) Insurance Against Loss or Damage to Aircraft. Subject to the rights of the Company to establish and maintain self-insurance with respect to loss or damage to aircraft (including the Aircraft) in the manner and to the

extent specified in the next sentence, the Company shall maintain, or cause to be maintained, in effect with insurers of recognized responsibility, at no expense to the Loan Trustee, any Bank Lender or the Pass Through Trustee, all-risk aircraft hull insurance covering the Aircraft and all-risk coverage with respect to any Engines or parts while removed from the Aircraft (including, without limitation, war risk and allied perils insurance if and to the extent the same is maintained by the Company or any Permitted Air Carrier leasing the same with respect to other aircraft owned or operated by the Company or such Permitted Air Carrier, as the case may be, on the same routes) which is of the type and in substantially the amount usually carried by corporations engaged in the same or similar business and similarly situated with the Company; provided that (i) such insurance (including the permitted self-insurance) shall at all times while the Aircraft is subject to the Lien of this Indenture be for an amount not less than, at the date of determination thereof, the Outstanding principal amount of the Equipment Notes plus six months interest thereon and (ii) such insurance need not cover an Engine while attached to an airframe not owned, leased or operated by the Company. The Company may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(a) of this Article) with respect to all of the aircraft and engines in the Company's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (i) 50% of the largest replacement value of any single aircraft in the Company's fleet or (ii) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which the Company carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of the Company from such condition as is reflected in the consolidated financial statements of the Company at December 31, 1982, then, upon not less than 30 days' written notice from the Loan Trustee to the Company, the Company will, until the Company's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as the Loan Trustee may require; provided, further, that a deductible per occurrence utilized to reduce handling, that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance.

Any policies carried in accordance with this Section 11(b) and any policies taken out in substitution or replacement for any such policies (A) shall provided that any loss up to the amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage constituting an Event of Loss with respect to the Aircraft, and any loss in excess of \$7,000,000, up to the amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage to the Aircraft (or Engines) not constituting an Event of Loss with respect to the Aircraft, shall be paid to the Loan Trustee as long as this Indenture shall not have been discharged pursuant to the terms and conditions thereof, and thereafter to the Company, unless, in each case, the insurer shall have received notice that an Indenture Event of Default exists, in which case all insurance proceeds up to an amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon shall be payable to the Loan Trustee, (B) shall provide that in respect of the respective interests of the Loan Trustee, any Bank Lender and of the Pass Through Trustee in such policies the insurance shall not be invalidated by any action or inaction of the Company and shall insure the Loan Trustee's, any Bank Lender's and the Pass Through Trustee's Interests, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by the Company, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any material change is made in the policy which affects the coverage certified hereunder to the Loan Trustee, any Bank Lender and the Pass Through Trustee, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to the Loan Trustee, any Bank Lender or the Pass Through Trustee, for 30 days (seven days, or such other period as may from time to time be customarily obtainable if the industry, in the case of any war risk and allied perils coverage) after receipt by the Loan Trustee, such Bank Lender or the Pass Through Trustee, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee, any Bank Lender and the Pass Through Trustee with respect to the Interests as such in the Aircraft and (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee, such Bank Lender or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee, any Bank Lender or the Pass

Through Trustee to the extent that the Company has waived its rights by its agreements to indemnify any such party pursuant to this indenture or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from rights retained by the Company shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by the Company. The Company shall arrange for appropriate certification that the requirements of this Section 11(b) have been met to be made promptly to the Loan Trustee (and the Loan Trustee shall furnish such certification to each Loan Participant) by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any person with whom any Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such person shall have entered into an agreement similar to that contained in Section 11(b) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a lease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to the Loan Trustee, to indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government in an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus six months interest thereon from time to time shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

As between the Loan Trustee and the Company, it is agreed that all insurance payments received under policies required to be maintained by the Company hereunder, exclusive of any payments received in excess of an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon from such policies, as the result of the occurrence of an Event of Loss with respect to the Airframe or an Engine will be applied as follows:

(x) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed on the Airframe that has been or is being replaced by the Company as contemplated by Section 10(a) of this Article, such payments shall be paid over to, or retained by, the Loan Trustee, and upon completion of such replacement be paid over to, or retained by, the Company;

(y) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed thereon that has not been and will not be replaced as contemplated by Section 10(a) of this Article, so much of such payments remaining after reimbursement of the Loan Trustee for costs and expenses as shall not exceed an amount, as at the date of determination thereof, equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon required to be paid by the Company pursuant to Section 10(a) of this Article shall be applied in reduction of the Company's obligation to pay such amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, if not already paid by the Company, or, if already paid by the Company, shall be applied to reimburse the Company for its payment of such amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, the Company; and

(z) if such payments are received with respect to an Engine under the circumstances contemplated by Section 10(b) of this Article, so much of the such payments remaining after reimbursement of the Loan Trustee for costs and expenses shall be paid over to, or retained by, the Company; provided that the Company shall have fully performed the terms of Section 10(b) of this Article with respect to the Event of Loss for which such payments are made.

As between the Loan Trustee and the Company the insurance payment of any property damage loss in excess of an amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon shall be paid to the Company.

As between the Loan Trustee and the Company the insurance payment of any property damage loss not constitut-

ing an Event of Loss with respect to the Airframe or an Engine will be applied in payment (or to reimburse the Company) for repairs or for replacement property in accordance with the terms of Sections 7 and 8 of this Article, and any balance remaining after compliance with such Sections with respect to such loss shall be paid to the Company. Any amount referred to in the preceding sentence or in clause (x), (y) or (z) of the second preceding paragraph which is payable to the Company shall not be paid to the Company or, if it has been previously paid directly to the Company, shall not be retained by the Company, if at the time of such payment an Indenture Event of Default (or an Indenture Default that with lapse of time would constitute an Indenture Event of Default under Section 8.01(a), 8.01(f) 8.01(g) 8.01(h) 8.01(i) of this Indenture) shall have occurred and be continuing, but shall be paid to and held by the Loan Trustee, as security for the obligations of the Company under this Indenture, and at such time as there shall not be continuing any such Indenture Event of Default or event, such amount shall be paid to the Company, provided that is any such amount has been so held by the Loan Trustee as security for more than 90 days after an Indenture Event of Default shall have occurred and during which period (i) the Loan Trustee shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (ii) the Loan Trustee shall not have exercised any remedy available to it under Section 15 of this Article, then such amount shall be paid to the Company.

(c) Reports, Etc. Annually upon renewal of the Company's insurance coverage, the Company will furnish to the Loan Trustee (and the Loan Trustee shall furnish to each Loan Participant) a report signed by a firm of independent aircraft insurance brokers appointed by the Company, stating the opinion of such firm that the insurance then carried and maintained on the Aircraft complies with the terms hereof; provided that all information contained in such report shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom any Loan Participants is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes, if such Person shall have entered into an agreement similar to that contained in this Section 11(c) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental author-

ity. The Company will cause such firm to advise the Loan Trustee, any Bank Lender or the Pass Through Trustee, in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the Company of which such firm has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. The Company will also cause such firm to advise the Loan Trustee, any Bank Lender and the Pass Through Trustee, in writing as promptly as practicable after such firm acquires knowledge that an interruption or reduction of any insurance carried and maintained on the Aircraft pursuant to the provisions of this Section 11 will occur.

(d) Insurance for Own Account. Nothing in this Section 11 shall limit or prohibit the Loan Trustee or the Company from obtaining insurance for its own account with respect to the Airframe or any Engine and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto, provided that (i) no such insurance may be obtained which would limit or otherwise adversely affect the coverage or amounts payable under insurance required to be maintained pursuant to this Section 11, it being understood that all salvage rights to the Airframe or such Engine shall remain with the Company's insurers at all times, and (ii) the Loan Trustee may obtain hull insurance on the Aircraft only to the extent the procurement of such insurance does not have an adverse effect on the Company's ability or cost to obtain such insurance, except that the limitation in the foregoing clause (i) on the Loan Trustee's right to obtain liability insurance shall not apply during any period in which the Company is providing a Government indemnity in lieu of the liability insurance required by Section 11(a) of this Article and the limitations in clauses (i) and (ii) on the Loan Trustee's rights to obtain hull insurance shall not apply during any period in which the Company is providing a Government indemnity in lieu of the hull insurance required by Section 11(b) of this Article.

Section 12. Inspection. At all reasonable times so long as any Equipment Notes are outstanding, but upon at least 5 days' prior written notice to the Company, the Loan Trustee, the Initial Bank Lender, the Pass Through Trustee or their authorized representatives may at their own expense and risk (including without limitation, any risk of personal injury or death) conduct a visual walk-around inspection of the Aircraft and any Engine and may inspect the books and records of the Company relating thereto; provided that (a)

such representative shall be fully insured to the reasonable satisfaction of the Company at no cost to the Company with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by the Loan Trustee and each Loan Participant and shall not be furnished or disclosed by them to anyone other than their accountants, agents and legal counsel and any Person with whom any such Loan Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Loan Participant's Equipment Notes if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order or administrative agency or by any statute, rule, regulation or order of any governmental authority. Upon the Loan Trustee's request, the Company will notify the Loan Trustee of the next scheduled "heavy maintenance" visit to be conducted by the Company in respect of the Aircraft; provided that the Company shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified the Loan Trustee pursuant to this sentence, the Company hereby agreeing to use reasonable efforts to notify the Loan Trustee of any such rescheduling or change. The Loan Trustee shall not have any duty to make such inspection and shall not incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of the Company's business, and the Company shall not be required to undertake or incur any additional liabilities in connection therewith.

Section 17. Further Assurances; Financial Information.

Forthwith upon the execution and delivery of each Trust Agreement and Indenture Supplement, the Company will cause such Trust Agreement and Indenture Supplement to be duly filed and recorded in accordance with the Federal Aviation Act. In addition, the Company and the Loan Trustee will promptly and duly execute and deliver to the other party hereto such further documents and assurances and take such further action as such other party may from time to

time reasonably request in order to effectively carry out the intent and purpose of this Indenture, including, without limitation, if requested by the Loan Trustee, the execution and delivery of supplements or amendments hereto, in recordable form, subjecting to this Indenture any Replacement Airframe or Replacement Engine and the recording or filing of counterparts hereof or thereof, in accordance with the laws of such jurisdictions as the Loan Trustee may from time to time deem advisable; provided that this sentence is not intended to impose upon the Company any additional liabilities not otherwise contemplated by this Indenture. The Company agrees to furnish the Loan Trustee (i) within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of the Company, a consolidated balance sheet of the Company and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income and cash flows for such period, (ii) within 120 days after the close of each fiscal year of the Company, a consolidated balance sheet of the Company and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income and cash flows for such fiscal year, as certified by independent public accountants, (iii) within 120 days after the close of each fiscal year of the Company, a certificate of the Company signed by a Responsible Officer of the Company and addressed to the Loan Trustee to the effect that the signer has reviewed the relevant terms of this Indenture and the Participation Agreement and has made, or caused to be made under his supervision, a review of the transactions and condition of the Company during the accounting period covered by the financial statements referred to in clause (ii) above, and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Indenture Event of Default or which, after notice or lapse of time or both, would constitute an Indenture Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action the Company has taken or is taking or proposes to take with respect thereto, and (iv) from time to time such other non-confidential information as the Loan Trustee may reasonably request.

Section 24. Maintenance of Certain Engines. Notwithstanding anything to the contrary contained herein, an aircraft engine which is not an Engine, but which is installed on the Airframe, shall be maintained in accordance with Section 7(a) of this Article.

Section 27. Company's Performance and Rights. Any obligation imposed on the Company pursuant to Sections 7, 8, 11, 12 and 24 of this Article shall require only that the Company perform or cause to be performed such obligation, even if stated herein as a direct obligation, and the performance of any such obligation by any permitted assignee, lessee or transferee under an assignment, lease or transfer agreement then in effect shall constitute performance by the Company and to the extent of such performance, discharge such obligation by the Company. Except as otherwise expressly provided herein, any right granted to the Company in this Indenture shall grant the Company the right to exercise such right or permit such right to be exercised by any such assignee, lessee or transferee; provided that no such assignee, lessee or transferee shall be permitted to exercise the self-insurance rights of the Company set forth in Section 11 of this Article. The inclusion of specific references to obligations or rights of any such assignee, lessee or transferee in certain provisions of this Indenture shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in respect of which specific reference to any such assignee, lessee or transferee has not been made in this Indenture.

Section 28. Statement of Intention. The Loan Trustee, the Company and the Owner Trustee acknowledge that the intent of the provisions contained in this Article 15 is, following the termination of the Lease pursuant to Section 9(e), 9(f) or 20(b) thereof, to provide for the Loan Trustee to have rights similar to those enjoyed by the Owner Trustee under the Lease and for the Company to have rights similar to those enjoyed by it under the Lease. The Loan Trustee and the Company hereby agree that this Article 15 shall be construed and interpreted in a manner consistent with the intent expressed in this Section 28.

Section 29. Amendment of Exhibit to the Indenture. (a) Each Pass Through Equipment Note issued after the Relevant Date shall be issued in substantially the form set forth in Exhibit A to this Indenture as originally executed, provided that the following legend shall be affixed to each such Pass Through Equipment Note:

"Pursuant to Section 7.03 of the Trust Indenture and Security Agreement, American Airlines, Inc. has assumed all of the obligations of the Owner Trustee under the Trust Indenture and Security Agreement and this Pass Through Equipment Note except such obligations as could

necessarily be performed exclusively by an entity acting in the capacity of the Owner Trustee."

(b) Each Bank Equipment Note issued after the Relevant Date shall be issued in substantially the form set forth in Exhibit A-1 to this Indenture as originally executed, provided that the following legend shall be affixed to each such Bank Equipment Note:

"Pursuant to Section 7.03 of the Trust Indenture and Security Agreement, American Airlines, Inc. has assumed all of the obligations of the Owner Trustee under the Trust Indenture and Security Agreement and this Bank Equipment Note except such obligations as could necessarily be performed exclusively by an entity acting in the capacity of the Owner Trustee."

In lieu of issuing Equipment Notes with the appropriate legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Pass Through Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit DA to this Indenture and any Bank Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit DA-1 to this Indenture.

Section 30. General. Effective as of the Relevant Date the Company assumes on a full recourse basis all of the duties and obligations of the Owner Trustee under this Indenture and the Equipment Notes and shall be entitled to all the rights and benefits of the Owner Trustee hereunder and thereunder, in each case to the extent provided for in this Indenture, and the Owner Trustee is, effective upon the Relevant Date, released from all duties, obligations and rights under this Indenture and the Equipment Notes (other than any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Relevant Date or arising out of or based upon events occurring on or prior to the Relevant Date, which obligations and liabilities shall remain the responsibility of the Owner Trustee).

The Company confirms and ratifies the security interest which the Owner Trustee granted to the Loan Trustee pursuant to the Granting Clause of this Indenture in all of the Owner Trustee's right, title and interest in the Aircraft and its interest in the Purchase Agreement (to the extent assigned to the Owner Trustee pursuant to the Purchase Agreement Assignment) and the Company explicitly

agrees that the Company is acquiring the Aircraft subject to such security interest, which shall remain in full force and effect until this Indenture is discharged in accordance with the terms hereof, and the Loan Trustee acknowledges that the Lease and the obligations of the Company hereunder as Company have been terminated, except as specifically provided for therein, and each of the Company and the Loan Trustee hereby agree that the Granting Clause hereof shall, subject always to the provisions of Section 28 of Article 15 hereof, be deemed to have been modified mutatis mutandis.

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All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

## LIST OF PERMITTED COUNTRIES

## ASIA/OCEANIA

Australia  
Japan  
New Zealand  
India

## EUROPE

Austria  
Germany  
Finland  
Spain (including Canary Islands)  
United Kingdom

## THE AMERICAS

Canada  
Mexico

Trust Indenture Exhibit D (Series AC)

Exhibit DA to  
Amended and  
Restated Trust Indenture  
and Security Agreement  
(AA 1995 PTC Series AC)

Form of Pass Through Equipment Notes  
[Installment Equipment Notes]\*

No. \_\_\_\_\_

\$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AC  
AMERICAN AIRLINES, INC.

Issued in connection with Aircraft N376AN

INTEREST RATE  
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MATURITY DATE  
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8.39%

[January 2, 2017]\*  
[----]\*\*

AMERICAN AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to \_\_\_\_\_ or registered assigns the principal sum of \_\_\_\_\_ DOLLARS [in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above]\* [on the Maturity Date specified above]\*\* and to pay interest [on the original principal amount hereof remaining unpaid from time to time]\* [thereon]\*\* at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment [in full]\*. In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Pass Through Equipment Note shall be made on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995 (herein called the "Indenture," the defined

\* Include for Installment Equipment Notes only.

\*\* Include for all non-Installment Pass Through Equipment Notes.

Trust Indenture Exhibit DA  
(Series AC)

terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate.

The interest [or Installment Payment Amount]\* so payable, and punctually paid or duly provided for, on or within 5 days after the applicable Interest Payment Date [or Installment Payment Date, as the case may be],\* will, as provided in the Indenture, be paid to the Person in whose name this Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on the Record Date for payment of such interest [or Installment Payment Amount],\* which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date [or Installment Payment Date, as the case may be].\* Any such interest [or Installment Payment Amount]\* not so punctually paid or duly provided for shall forthwith cease to be payable to the registered Loan Participant on such Record Date (or to the Person in whose name this Pass Through Equipment Note is registered upon issuance) and may be paid to the Person in whose name the Pass Through Equipment Note (or one or more predecessor Pass Through Equipment Notes) is registered at the close of business on a Special Record Date for the payment of such [Defaulted Installment or]\* Defaulted Interest to be fixed by the Loan Trustee, notice whereof shall be given to Loan Participants entitled thereto not less than 10 days prior to such Special Record Date, or may be paid in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Equipment Notes may be listed, and upon such notice as may be required by such exchange, all as more fully provided in the Indenture.

Payment of the principal of, Make-Whole Amount, if any, and interest on this Pass Through Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that payment of interest [and Installment Payment Amounts (other than that pay-

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\* Include for Installment Equipment Notes only.

\*\* Include for all non-Installment Pass Through Equipment Notes.

able on the Maturity Date hereof)]\*\* may be made at the option of the Loan Trustee or the Paying Agent by check mailed to the address of the Loan Participant entitled thereto as such address shall appear on the Register.

Principal of each Pass Through Equipment Note payable on the Maturity Date of such Pass Through Equipment Note and Make-Whole Amount, if any, with respect thereto shall be payable only against presentation and surrender thereof at the principal corporate trust office of the Loan Trustee or at the office of the Paying Agent maintained for such purpose pursuant to Section 2.03 of the Indenture.

This Pass Through Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Pass Through Equipment Note has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created thereby, to all of which terms and conditions therein each Loan Participant agrees by its acceptance of this Pass Through Equipment Note. Each holder hereof, by its acceptance of this Pass Through Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

[On each Installment Payment Date, the Loan Participant will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment

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\* Include for Installment Equipment Notes only.

\*\* Include for Installment Equipment Notes only.

Date multiplied by the original principal amount of this Pass Through Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
January 2, 2012	2.977530476%
January 2, 2013	16.166164040
January 2, 2015	20.872446162
January 2, 2016	22.622435543
July 2, 2016	0.598904133
January 2, 2017	19.988956378]*

As more fully provided in the Indenture, the Pass Through Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail and under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, Make-Whole Amount, if any, plus accrued interest thereon to the Redemption Date.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default the Loan Trustee may exercise one or more of the remedies in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft and to sell or relet the Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Loan Participant to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Company and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if

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\* Include for Installment Equipment Notes only.

(a) the Company deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and subject to certain limitations therein set forth, this Pass Through Equipment Note is transferable, and upon surrender of this Pass Through Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Loan Participant or its attorney duly authorized in writing, one or more new Pass Through Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

THIS PASS THROUGH EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS PASS THROUGH EQUIPMENT NOTE WILL BE MADE UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SUCH ACT OR SUCH ACT DOES NOT APPLY.

The Pass Through Equipment Notes are issuable only as registered Equipment Notes. The Pass Through Equipment Notes are issuable in denominations of \$1,000 and integral multiples thereof except that one such Pass Through Equipment Note of each maturity does not need to be an integral multiple of \$1,000. As provided in the Indenture and subject to certain limitations therein set forth, Pass Through Equipment Notes are exchangeable for an equal aggregate principal amount of Pass Through Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the Pass Through Equipment Notes to be exchanged or transferred, as

requested by the Loan Participant surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Pass Through Equipment Note, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Pass Through Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Pass Through Equipment Note and for all other purposes whatsoever whether or not this Pass Through Equipment Note be overdue, and neither the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS PASS THROUGH EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_  
[Title]

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

7  
Trust Indenture Exhibit DA  
(Series AC)

Exhibit DA-1 to Amended  
and Restated Trust Indenture  
And Security Agreement  
(AA 1995 PTC Series AC)

Form of Bank Equipment Notes

THIS BANK EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR UNDER THE SECURITIES OR SIMILAR LAWS OF ANY STATE OR OTHER JURISDICTION, AND MAY NOT BE TRANSFERRED, SOLD OR OFFERED FOR SALE OR OTHERWISE DISPOSED OF EXCEPT WHILE SUCH REGISTRATION UNDER THE ACT AND SUCH SECURITIES AND SIMILAR LAWS IS IN EFFECT OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION.

THIS BANK EQUIPMENT NOTE IS SUBJECT TO CERTAIN ADDITIONAL RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 10 OF THE REFUNDING AGREEMENT REFERRED TO BELOW.

No. \_\_\_\_\_

\$ \_\_\_\_\_

1995 EQUIPMENT NOTES, SERIES AC  
AMERICAN AIRLINES, INC.

Issued in connection with Aircraft N376AN

INTEREST RATE

MATURITY DATE

- - - - -

- - - - -

7.708%

July 2, 2010

AMERICAN AIRLINES, INC. (the "Company"), for value received, hereby promises to pay to The Mitsubishi Trust and Banking Corporation, New York Branch, or registered assigns the principal sum of \_\_\_\_\_ DOLLARS in installments on each Installment Payment Date as set forth on the reverse hereof with the final installment due and payable on the Maturity Date specified above and to pay interest on the original principal amount hereof remaining unpaid from time to time at the rate per annum specified above, from \_\_\_\_\_ or from the most recent date to which interest has been paid or duly provided for, semiannually, on January 2 and July 2 in each year, commencing July 2, 1995, until the principal hereof is paid or made available for payment in full. In the event any amount of principal or interest payable hereunder is not paid when due, to the extent permitted by applicable law, interest shall accrue on such amounts at the Past Due Rate. All computations of interest accruing on this Bank Equipment Note shall be made

Trust Indenture Exhibit DA-1  
(Series AC)

on the basis of a year of 360 days consisting of twelve 30-day months. All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995 (herein called the "Indenture," the defined terms therein not otherwise defined herein being used herein with the same meanings), by and between the Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate.

The interest or Installment Payment Amount so payable, and punctually paid or duly provided for the applicable Interest Payment Date or Installment Payment Date, as the case may be, will, as provided in the Indenture, be paid to the Person in whose name this Bank Equipment Note (or one or more predecessor Bank Equipment Notes) is registered at the close of business on the Record Date for payment of such interest or Installment Payment Amount, which shall be the fifteenth day (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date or Installment Payment Date, as the case may be. Any such interest or Installment Payment Amount not so punctually paid or duly provided for shall be payable at the election of the Loan Trustee to the Bank Lender in whose name this Bank Equipment Note is registered in the Register on the date of such payment, all as more fully provided in the Indenture.

Payment of the principal of, Swap Breakage Loss, if any, and interest on this Bank Equipment Note will be made in immediately available funds at the principal corporate trust office of the Loan Trustee, or the office or agency maintained by the Loan Trustee for such purpose, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts. The Paying Agent appointed under the Indenture shall remit all such amounts so received by it via wire transfer of immediately available funds to such address and in such manner as each Bank Lender shall have designated in writing to the Paying Agent. The Paying Agent shall cause each payment to the Bank Lender hereof to be made by 4:00 p.m. on the day the Paying Agent receives such payment. In the event the Paying Agent shall fail to make any such payment as provided in the immediately foregoing sentence after its receipt of funds at the place and by the time specified, the Paying Agent, in its individual capacity and not as Paying Agent, has agreed to compensate the Bank

Lender holding this Bank Equipment Note for loss of use of such funds.

Promptly following payment of all principal, Swap Breakage Loss, if any, and interest due and owing with respect to this Bank Equipment Note and all other sums due and payable to the Bank Lender in whose name this Bank Equipment Note is registered in the Register under the Indenture, under this Bank Equipment Note, and under the Participation Agreement or Refunding Agreement, the Bank Lender holding this Bank Equipment Note shall surrender this Bank Equipment Note to the Loan Trustee for cancellation.

This Bank Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Bank Equipment Note has been executed on behalf of the Company by the manual or facsimile signature of an authorized officer of the Company, and authenticated by the Loan Trustee by the manual signature of an authorized officer or signatory of the Loan Trustee, in each case as specified in Section 2.02 of the Indenture.

Reference is made to the Participation Agreement, the Refunding Agreement, the Indenture and the other Operative Documents and all supplements and amendments to such documents (copies of which are on file with the Loan Trustee at its principal corporate trust office) for a more complete statement of the terms and provisions of such agreements, including a statement of the properties conveyed, pledged and assigned under the Indenture, the nature and extent of the security under the Indenture, the respective rights and obligations under such agreements of the Company, the Loan Trustee and the Loan Participants, and the terms upon which the Equipment Notes are, and are to be, executed and delivered, as well as for a statement of the terms and conditions of the trust created by the Indenture, to all of which terms and conditions each Bank Lender agrees by its acceptance of this Bank Equipment Note. Each holder hereof, by its acceptance of this Bank Equipment Note, agrees to be bound by and to observe the provisions of the Operative Documents applicable to it.

On each Installment Payment Date, the Bank Lender will receive a payment of principal equal to the Installment Payment Percentage for such Installment Payment Date multiplied by the original principal amount of this Bank Equipment Note which is set forth above.

Installment Payment Date -----	Installment Payment Percentage -----
July 2, 1995	0.197627356%
January 2, 1996	2.100141600
July 2, 1996	2.181081055
January 2, 1997	0.929493623
January 2, 1998	2.032284747
July 2, 1998	3.472719435
July 2, 1999	9.315619259
January 2, 2001	7.642286182
January 2, 2002	8.236313938
January 2, 2003	5.177265053
January 2, 2004	5.579689036
January 2, 2005	5.707752596
January 2, 2006	4.940641185
January 2, 2007	5.183957303
January 2, 2008	5.433921987
January 2, 2009	6.003305681
January 2, 2010	12.648092511
July 2, 2010	13.217807454

The final installment of principal of this Bank Equipment Note shall under all circumstances equal the entire principal balance hereof outstanding on the Maturity Date.

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, upon such notice and under the circumstances set forth in the Indenture, at the Redemption Price set forth for such circumstances therein.

If an Indenture Event of Default shall occur and be continuing, the unpaid principal amount of the Equipment Notes may be declared due and payable in the manner and with the effect provided in the Indenture. Upon an Indenture Event of Default the Loan Trustee may exercise one or more of the remedies in the Indenture. Such remedies include the right to repossess and use or operate the Aircraft and to sell or relet the Aircraft free and clear of the Company's rights and retain the proceeds.

The right of the Bank Lender to institute action for any remedy under the Indenture, including the enforcement of payment of any amount due hereon, is subject to certain restrictions specified in the Indenture.

The Company and the Loan Trustee will be discharged from their respective obligations in respect of the Equipment Notes (except for certain matters, including obligations to register the transfer or exchange of Equipment Notes, replace stolen, lost or mutilated Equipment Notes, maintain paying agencies and hold moneys for payment in trust), and the Loan Trustee may thereupon cause the release of the Indenture Estate from the lien of the Indenture, if (a) the Company deposits or causes to be deposited irrevocably with the Loan Trustee, in trust, money or U.S. Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, Make-Whole Amount or Swap Breakage Loss, if any, as the case may be, and interest on the Outstanding Equipment Notes on the dates such payments are due in accordance with the terms of such Equipment Notes and (b) certain other conditions are satisfied, including the publication by the United States Internal Revenue Service of a ruling to the effect that the deposit and related defeasance would not cause the Loan Participants to recognize income, gain or loss for Federal income tax purposes.

As provided in the Indenture and in the Refunding Agreement and subject to certain limitations set forth herein and therein (including the limitations set forth in Section 10 of the Refunding Agreement), this Bank Equipment Note is transferable, and upon surrender of this Bank Equipment Note for registration of transfer at the principal corporate trust office of the Registrar, or at the office or agency maintained for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed by, the Bank Lender or his attorney duly authorized in writing, one or more new Bank Equipment Notes of the same maturity and type and of authorized denominations and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Bank Equipment Notes are issuable only as registered Equipment Notes. The Bank Equipment Notes are issuable in denominations of not less than \$5,000,000 (or such lesser amount as shall constitute 100% of the aggregate unpaid principal amount of Bank Equipment Notes held by the Bank Lender holding such Bank Equipment Notes). As provided in the Indenture and subject to certain limitations set forth therein and in the Refunding Agreement, Bank Equipment Notes are exchangeable for an equal aggregate principal amount of Bank Equipment Notes of the same type, having the

same Maturity Date and of any authorized denominations or transferable upon surrender of the Bank Equipment Notes to be exchanged or transferred, as requested by the Bank Lender surrendering the same, upon presentation thereof for such purpose at the principal corporate trust office of the Registrar, or at any office or agency maintained for such purpose.

No service charge shall be made for any such registration of transfer or exchange, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment for registration of transfer of this Bank Equipment Note, the Loan Trustee, the Paying Agent, the Registrar and the Company may deem and treat the Bank Lender in whose name this Bank Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Bank Equipment Note and for all other purposes whatsoever whether or not this Bank Equipment Note be overdue, and neither the Loan Trustee, the Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

AS PROVIDED IN THE INDENTURE, THE INDENTURE AND THIS BANK EQUIPMENT NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Owner Trustee has caused this instrument to be duly executed under its corporate seal.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_  
[Title]

7  
Trust Indenture Exhibit DA-1  
(Series AC)

LOAN TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Equipment Notes referred to in the within-mentioned Indenture.

STATE STREET BANK AND  
TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

By \_\_\_\_\_  
Authorized officer  
or signatory

8  
Trust Indenture Exhibit DA-1  
(Series AC)

PARTICIPATION AGREEMENT  
(AA 1992 AF-1)

Dated as of June 15, 1992

between

AMERICAN AIRLINES, INC.,  
as Lessee

WILMINGTON TRUST COMPANY,  
as Owner Trustee

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION,  
as Indenture Trustee

AT&T CREDIT CORPORATION,  
as Owner Participant

and

TRUST COMPANY BANK,  
as Original Loan Participant

-----  
One Boeing 767-323ER Aircraft  
N374AA

Leased to American Airlines, Inc.

=====  
AF-1

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PARTICIPATION AGREEMENT  
(AA 1992 AF-1)

This PARTICIPATION AGREEMENT (AA 1992 AF-1), dated as of June 15, 1992, between (i) AMERICAN AIRLINES, INC., a Delaware corporation (herein, together with its successors and permitted assigns, called "American" or the "Lessee"), (ii) AT&T CREDIT CORPORATION, a Delaware corporation (herein, together with its successors and permitted assigns, called the "Owner Participant"), (iii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as expressly stated herein but solely as trustee under the Trust Agreement (as hereinafter defined) (herein in such capacity, together with its successors and assigns, called the "Owner Trustee"), (iv) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, a national banking association, in its individual capacity only as expressly stated herein, and otherwise as trustee under the Trust Indenture (as hereinafter defined) (herein in such capacities, together with its successors and assigns in such capacities, called the "Indenture Trustee"), and (v) TRUST COMPANY BANK, a Georgia corporation (herein called the "Original Loan Participant" and together with the Owner Participant, sometimes collectively called the "Participants" and individually a "Participant").

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase Agreement (such term and other capitalized terms used herein without definition have the meanings specified therefor in Section 15), The Boeing Company, a Delaware corporation (the "Manufacturer"), has agreed to manufacture and sell to American and American has agreed to purchase from the Manufacturer that certain Boeing 767-323ER aircraft bearing U.S. Registration Number N374AA and Manufacturer's Serial Number 25201, which is to be financed pursuant to this Participation Agreement (the "Aircraft", as such term is defined in the Lease referred to below and is used hereinafter with the same meaning);

WHEREAS, the Manufacturer has conveyed, pursuant to a warranty (as to title) bill of sale with respect to the Aircraft, to Boeing Sales Corporation, a Guam corporation and a wholly-owned subsidiary of the Manufacturer

(the "Manufacturer's Subsidiary"), all the Manufacturer's title to and interest in the Aircraft and has assigned to the Manufacturer's Subsidiary its right to receive any payments due with respect to the Aircraft under the Purchase Agreement, and the Manufacturer's Subsidiary will agree to sell and deliver the Aircraft pursuant and subject to all terms and conditions of the Purchase Agreement, and will appoint the Manufacturer as its duly authorized agent and attorney-in-fact for all purposes under the Purchase Agreement;

WHEREAS, immediately following the transfer by the Manufacturer's Subsidiary of title to the Aircraft to American, and subject to the terms and conditions set forth herein, (A) American is willing to sell the Aircraft to the Owner Trustee and the Owner Trustee is willing to purchase the Aircraft from American as soon as practicable after American has fully arranged satisfactory financing for such transactions; and (B) the Owner Trustee is willing to lease to American as the Lessee under the Lease referred to below, and American as the Lessee is willing to lease from the Owner Trustee, the Aircraft;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant has entered into a certain Trust Agreement (AA 1992 AF-1), dated as of the date hereof, substantially in the form of Exhibit I hereto (such Trust Agreement, as the same may be amended or supplemented from time to time, being herein called the "Trust Agreement", such term to include, unless the context otherwise requires, one or more of the Trust Agreement and Indenture Supplements referred to below), with Wilmington Trust Company in its individual capacity, pursuant to which Trust Agreement the Owner Trustee agrees, among other things, to hold the Trust Estate defined in Section 1.01 of the Trust Agreement (the "Trust Estate") for the benefit of the Owner Participant thereunder on the terms specified in the Trust Agreement, subject, however, to the lien created under the Trust Indenture referred to below;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee has entered into a certain Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of the date hereof, substantially in the form of Exhibit II hereto (such Trust Indenture and Security Agreement, as the same may be amended or supplemented from time to time, being herein called the

"Trust Indenture" or the "Indenture", such term to include, unless the context otherwise requires, one or more of the Trust Agreement and Indenture Supplements referred to below), with the Indenture Trustee, pursuant to which Trust Indenture the Owner Trustee agrees, among other things, for the benefit of the Loan Participants, (i) to deposit, mortgage and pledge with the Indenture Trustee, as part of the Indenture Estate (the "Indenture Estate", as such term is defined in the Trust Indenture and is hereinafter used with the same meaning) under the Trust Indenture, all of the properties held in trust by the Owner Trustee under the Trust Agreement (other than Excepted Property as defined in the Trust Indenture), (ii) to issue Certificates substantially in the form set forth in Section 2.01 of the Trust Indenture, in the amounts and otherwise as provided in Section 2.02 of the Trust Indenture (a "Certificate", as such term is defined in the Trust Indenture and is hereinafter used with the same meaning, and collectively the "Certificates") as evidence of the participation of the Original Loan Participant and the investment of the Holders thereof in the payment of Lessor's Cost for the Aircraft, and (iii) to execute and deliver a Trust Agreement and Indenture Supplement, substantially in the form of Exhibit A to the Trust Indenture (a "Trust Agreement and Indenture Supplement" as such term is defined in the Trust Indenture and is hereinafter used with the same meaning), covering the Aircraft, supplementing the Trust Agreement and the Trust Indenture;

WHEREAS, pursuant to the terms of the Trust Agreement, the Owner Trustee is authorized and directed by the Owner Participant (i) to execute and deliver a certain Purchase Agreement Assignment (AA 1992 AF-1), dated as of the date hereof, substantially in the form of Exhibit III hereto (the "Purchase Agreement Assignment"), with the Lessee, whereby the Lessee assigns to the Owner Trustee certain of the Lessee's rights and interest under the Purchase Agreement to the extent that the same relate to the Aircraft (except to the extent reserved to the Lessee in said Purchase Agreement Assignment) and which Purchase Agreement Assignment has annexed thereto a Consent and Agreement executed by the Manufacturer and an Agreement of Subsidiary executed by the Manufacturer's Subsidiary; and (ii) to execute and deliver a certain Lease Agreement (AA 1992 AF-1) relating to the Aircraft, dated as of the date hereof, with American, substantially in the form of Exhibit IV hereto (such Lease Agreement, as the same may be

amended or supplemented from time to time, being herein called the "Lease", such term to include the Rent Schedule (except in the case of any reference to the Lease Agreement as filed with the Federal Aviation Administration) and, unless the context otherwise requires, the Lease Supplement referred to below), pursuant to which, subject to the terms and conditions set forth therein, the Owner Trustee agrees to lease to the Lessee, and the Lessee agrees to lease from the Owner Trustee, the Aircraft on the Delivery Date, such lease to be evidenced by the execution and delivery of a Lease Supplement, substantially in the form of Exhibit A to the Lease (the "Lease Supplement" as such term is defined in the Lease and is hereinafter used with the same meaning), covering the Aircraft; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Lessee and the Owner Participant have entered into a Tax Indemnity Agreement, dated as of the date hereof, relating to the Aircraft (such Tax Indemnity Agreement, as the same may be amended or supplemented from time to time, being herein called the "Tax Indemnity Agreement");

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

SECTION 1. Sale and Purchase; Participation in Lessor's Cost for Aircraft; Terms of Certificates. (a) Sale and Purchase. Subject to the terms and conditions of this Agreement, the Lessee agrees to sell to the Owner Trustee, and the Owner Trustee agrees to purchase from the Lessee, the Aircraft on the Delivery Date, and, in connection therewith, the Owner Trustee agrees to pay to the Lessee the purchase price of \$69,000,000 ("Lessor's Cost").

(b) Participation in Lessor's Cost. Subject to the terms and conditions of this Agreement, (i) the Owner Participant hereby agrees to participate in the payment of Lessor's Cost for the Aircraft by making an investment in the beneficial ownership of the Aircraft in the amount set forth opposite its name in Schedule I hereto, and (ii) the Original Loan Participant hereby agrees to participate in the payment of Lessor's Cost for the Aircraft by making a non-recourse secured loan to the Owner Trustee

in the amount set forth opposite its name in Schedule I hereto, such loan to be evidenced by one or more Certificates issued to the Original Loan Participant by the Owner Trustee in the manner described herein and in the Indenture. The amount of the Owner Participant's participation required to be made as above provided in the payment of Lessor's Cost is hereinafter called the Owner Participant's "Commitment" for the Aircraft and the amount of the Original Loan Participant's participation required to be made as above provided in the payment of Lessor's Cost is hereinafter called the Original Loan Participant's "Commitment" for the Aircraft.

(c) Prepayment of Certificates; Determination of Debt Rate. Each of the Loan Participants and the Owner Participant hereby agrees that, notwithstanding anything to the contrary contained in this Participation Agreement, the Lease, the Trust Indenture, the Certificates, or the Trust Agreement, without the prior written consent of the Lessee, the Owner Trustee shall not take any action with respect to the Certificates concerning the optional prepayment of such Certificates (except as provided in Section 2.13 of the Trust Indenture), or the selection of the Debt Rate to be borne at any time or from time to time by such Certificates, or the Interest Periods to be applicable to the calculation of interest on the Certificates. The Owner Trustee hereby irrevocably appoints and authorizes the Lessee to act as its exclusive agent (and agrees that it will not act other than through the Lessee, as such agent) for the purpose of selecting the durations of the Interest Periods to be applicable from time to time to calculations of interest on the Certificates and designating the Debt Rate from time to time to be borne on the Certificates. Each of the Indenture Trustee, the Owner Participant and each Loan Participant hereby consents to such appointment and authorization. In taking any actions as agent of the Owner Trustee as aforesaid, the Lessee shall be authorized to deal directly with the Indenture Trustee and the Loan Participants, and the Owner Participant, the Owner Trustee, each Loan Participant and the Indenture Trustee each agrees to cooperate with the Lessee and the Original Loan Participant and otherwise to do all things and take all actions reasonably necessary to effect the actions taken by the Lessee as the agent of the Owner Trustee under this Section 1(c). Except to the extent otherwise provided in Section 2.01 of the Trust Indenture, the Debt Rate applicable to the Loan Certificates for each Interest Period shall be determined by election of the

Lessee (as agent for the Owner Trustee) by delivering telephonic notice to the Original Loan Participant (whether or not it at the time holds any Loan Certificates), followed in each case by telexed, telecopied or other written confirmation given so as to be effective by 1:00 p.m. (New York City time) on the date of such telephonic notice (with a copy to the Indenture Trustee and the Owner Trustee), not less than three London Business Days prior to the beginning of the applicable Interest Period, in the case of a LIBOR Loan, and not later than 11:00 A.M. (New York City time) on the New York Business Day immediately preceding the beginning of the applicable Interest Period, in the case of a Short Period Rate Loan, specifying the duration of such Interest Period and whether the Debt Rate for such Interest Period shall be determined by reference to the LIBOR Rate or the Short Period Rate. The Indenture Trustee shall provide to each Loan Participant other than the Original Loan Participant a copy of any notice provided by the Lessee pursuant to the immediately preceding sentence promptly after receipt thereof. Notwithstanding the foregoing, the Lessee may only select a Short Period Rate (i) during any period, and from time to time during such period, in which the Lessee is in contemplation of a proposed prepayment of the Loan Certificates pursuant to Section 2.12 or 2.14 of the Trust Indenture (whether or not a notice of prepayment has been given pursuant to Section 2.12 or 2.14 of the Trust Indenture) or (ii) at any time when the selection of a LIBOR Rate would result in the succeeding Interest Period commencing on a day other than the second day of a calendar month. The Original Loan Participant (whether or not it at the time holds any Loan Certificates) shall provide to each of the Owner Participant, the Owner Trustee, each other Loan Participant, the Indenture Trustee and the Lessee an officer's certificate setting forth the applicable interest rate and the interest expected to accrue on the Loan Certificates during the applicable Interest Period promptly after the commencement of such Interest Period and, as soon as practicable prior to each Lease Period Date (but in no event later than 11:00 A.M. New York City time on the Business Day immediately preceding such Lease Period Date), shall provide such notification of the aggregate amount of interest that will be actually due and payable on the Loan Certificates on such Lease Period Date.

## SECTION 2. Delivery Date; Procedure for Participation in

Payment of Lessor's Cost for the Aircraft. (a) Delivery Date. The Lessee agrees to give the Owner Participant, the Original Loan Participant, the Indenture Trustee and the Owner Trustee notice by telex, telegraph, facsimile or other form of telecommunication or telephone (to be promptly confirmed in writing) of the Delivery Date for the Aircraft not later than 5:00 P.M., New York City time, on the second Business Day preceding the Delivery Date for the Aircraft, which notice shall specify the amount of Lessor's Cost for the Aircraft. Subject to the terms and conditions of this Agreement, prior to 11:00 A.M., New York City time, on the Delivery Date specified in such notice, the Owner Participant will make the amount of its Commitment available to the Owner Trustee, and the Original Loan Participant will make the amount of its Commitment available to the Owner Trustee, by transferring or delivering such amount, in funds immediately available on the Delivery Date, to the Owner Trustee, either directly to, or for deposit in, the Owner Trustee's account at The Chase Manhattan Bank, N.A., Account No. 920-1-014363.

(b) Procedure for Participation in Payment of Lessor's Cost for the Aircraft. Upon receipt by the Owner Trustee of the full amount of the Owner Participant's Commitment and the Original Loan Participant's Commitment in respect of the Aircraft on the Delivery Date, the Owner Trustee shall, subject to the conditions set forth in Section 4 having been fulfilled to the satisfaction of (or waived in writing by) the Owner Participant and the Original Loan Participant (as the case may be), pay to the Lessee from the funds then held by it, in immediately available funds, an amount equal to the Lessor's Cost payable to the Lessee on the Delivery Date by the Owner Trustee pursuant hereto, and simultaneously therewith the Lessee shall deliver the Aircraft to the Owner Trustee, and the Owner Trustee shall accept the Aircraft, under the Lease. The acceptance of the Aircraft by the Owner Trustee and the Lessee, respectively, shall be conclusively evidenced by the execution and delivery of the Lease Supplement by the Owner Trustee and the Lessee. Each of the Indenture Trustee, the Owner Trustee and the Lessee shall take all actions required to be taken by it in connection therewith and pursuant to this Section 2(b).

SECTION 3. Owner Participant's Instructions to the Owner Trustee; Confirmation of Authorizations. (a) Owner Participant's Instructions to the Owner Trustee. The Owner Participant agrees that the making of the amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof shall constitute, without further act, authorization and direction by the Owner Participant to the Owner Trustee, subject to the conditions set forth in Section 4 having been fulfilled to the satisfaction of the Owner Participant or waived by the Owner Participant, to take the actions specified in Section 3.01 of the Trust Agreement with respect to the Aircraft.

(b) Confirmation of Authorizations. The Owner Participant agrees, in the case of any Replacement Aircraft or Replacement Engine substituted pursuant to clause (i) of Section 10(a) or pursuant to Section 9(g) or 10(b) of the Lease, that it will authorize and direct the Owner Trustee to take the actions specified in such Sections of the Lease with respect to such Replacement Aircraft or Replacement Engine upon due compliance with the terms and conditions set forth in such Sections of the Lease with respect to such Replacement Aircraft or Replacement Engine.

SECTION 4. Conditions Precedent to Participation. The obligation of each of the Original Loan Participant and the Owner Participant to participate in the payment of Lessor's Cost for the Aircraft is subject to the fulfillment to the satisfaction of or waiver in writing by the Original Loan Participant or the Owner Participant, as the case may be, prior to or on the Delivery Date, of the following conditions precedent (except that paragraphs (T), (U) and (X) of this Section 4 shall not be conditions precedent to the obligations of the Original Loan Participant hereunder and paragraphs (M), (Q), (V) and (Z) of this Section 4 shall not be conditions precedent to the obligations of the Owner Participant hereunder):

(A) Each of the Owner Participant and the Original Loan Participant shall have received (or waived in writing) due notice with respect to its participation pursuant to Section 2.

(B) No change shall have occurred after the date of this Agreement in applicable law or regula-

tions thereunder or interpretations or guidelines thereof by appropriate regulatory authorities or any court which in the opinion of the Owner Participant or the Original Loan Participant would make it illegal for the Lessee, the Indenture Trustee, the Owner Trustee or any Participant to execute, deliver and perform the Operative Documents to which it is a party or for the Owner Participant or the Original Loan Participant, as the case may be, to make such participation or would be a violation of such law, regulations or guidelines.

(C) In the case of the Original Loan Participant, the Owner Participant shall have concurrently made available to the Owner Trustee the aggregate amount of its Commitment for the Aircraft in accordance with Section 2 hereof; in the case of the Owner Participant, the Original Loan Participant shall have concurrently made available to the Owner Trustee the aggregate amount of its Commitment for the Aircraft in accordance with Section 2 hereof; and in the case of the Original Loan Participant, there shall have been duly issued and delivered by the Owner Trustee to the Original Loan Participant, against payment therefor, one or more Certificates in connection with the Aircraft, substantially in the form set forth in Section 2.01 of the Trust Indenture, dated the Delivery Date and issued in the name of the Original Loan Participant, and as otherwise provided in the Trust Indenture.

(D) All approvals and consents of any trustee or holder of any indebtedness or obligations of the Lessee which are required in connection with any transaction contemplated by this Agreement shall have been duly obtained.

(E) This Agreement and the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto (except that the execution and delivery of this Agreement or any of the following documents by a party hereto or thereto shall not be a condition precedent to such party's obligations hereunder), shall be in form and substance satisfactory to the Owner Participant and the Original Loan Participant, in full force and effect and executed counterparts of each thereof (or copies where indicated) shall have

been delivered to the Owner Participant and the Original Loan Participant or their respective special counsel:

- (i) the Lease;
- (ii) a Lease Supplement covering the Aircraft dated the Delivery Date;
- (iii) the Trust Agreement;
- (iv) the Trust Indenture, and a Trust Agreement and Indenture Supplement covering the Aircraft dated the Delivery Date;
- (v) a copy of the Purchase Agreement (with the exception that certain confidential or proprietary information may be redacted therefrom and certain exhibits and supplements thereto need not be delivered to the Owner Participant or the Original Loan Participant);
- (vi) the Purchase Agreement Assignment, with the Consent and Agreement and the Agreement of Subsidiary attached thereto;
- (vii) the Tax Indemnity Agreement (for the Owner Participant only);
- (viii) a copy of the bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Manufacturer in favor of the Manufacturer's Subsidiary and dated on or prior to the Delivery Date (the "Manufacturer's FAA Bill of Sale"), a copy of the bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Manufacturer's Subsidiary in favor of the Lessee and dated the Delivery Date (the "Manufacturer's Subsidiary's FAA Bill of Sale"), and a copy of the form of warranty (as to title) bill of sale for the Aircraft to be executed by the Manufacturer's Subsidiary in favor of the Lessee, dated the Delivery Date and specifically referring to

each Engine, as well as to the Airframe, constituting a part of the Aircraft;

(ix) a bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Lessee in favor of the Owner Trustee and dated the Delivery Date (the "FAA Bill of Sale") (original filed with the Federal Aviation Administration and copies to all the parties);

(x) a warranty (as to title) bill of sale for the Aircraft (together with the FAA Bill of Sale collectively called "Bills of Sale"), executed by the Lessee in favor of the Owner Trustee, dated the Delivery Date and specifically referring to each Engine, as well as to the Airframe, constituting a part of the Aircraft (original to the Indenture Trustee and copies to all the parties);

(xi) an incumbency certificate of the Lessee as to the person or persons authorized to execute and deliver the Operative Documents to which it is a party and any other documents to be executed on behalf of the Lessee in connection with the transactions contemplated hereby and the signatures of such person or persons; and

(xii) an insurance report of an independent insurance broker and the certificates of insurance, each in form and substance satisfactory to each Participant, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(F) A Uniform Commercial Code financing statement or statements covering the security interest created by the Trust Indenture shall have been executed and delivered by the Owner Trustee, as debtor, and by the Indenture Trustee, as secured party, and such financing statement or statements shall have been duly filed in all places necessary or desirable within the State of Delaware, and a Uniform Commercial Code financing statement or statements describing the Lease as a lease shall have been executed and

delivered by the Owner Trustee and the Lessee, and such financing statements shall have been duly filed in all places necessary or desirable within the State of Texas;

(G) Each of the Owner Participant and the Original Loan Participant (acting directly or by authorization to their respective special counsel) shall have received the following, in each case in form and substance satisfactory to it:

(i) a copy of the resolutions of the Board of Directors of the Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the purchase of the Airframe and the Engines by the Lessee, the sale of the Aircraft by the Lessee pursuant to the Bills of Sale, the lease by the Lessee of the Aircraft under the Lease and the execution, delivery and performance by the Lessee of each of the Operative Documents to which it is or will be a party and each of the other documents required to be executed and delivered by the Lessee in accordance with the provisions hereof;

(ii) a copy of the resolutions of the Board of Directors of the Owner Trustee in its individual capacity certified by the Secretary or an Assistant Secretary of the Owner Trustee, duly authorizing the execution, delivery and performance by the Owner Trustee, in its individual capacity, of the Trust Agreement, and acting pursuant thereto, as trustee, or in its individual capacity as expressly provided therein, as appropriate, of each of the other Operative Documents to which the Owner Trustee is or will be a party in either such capacity and any other documents to be executed by or on behalf of the Owner Trustee, in its individual capacity or as trustee, as appropriate, in connection with the transactions contemplated hereby;

(iii) a copy of the articles of association and by-laws of the Indenture Trustee, certified by the Secretary or an Assistant Secretary of the Indenture Trustee, which by-laws contain a provision duly authorizing the execution, de-

livery and performance by the Indenture Trustee of each of the Operative Documents to which the Indenture Trustee is or will be a party and any other documents to be executed by or on behalf of the Indenture Trustee in connection with the transactions contemplated hereby; and

(iv) such other documents and evidence with respect to the Lessee, the Owner Trustee, the Owner Participant, or the Indenture Trustee as the Owner Participant or the Original Loan Participant, as appropriate, may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate and other proceedings in connection therewith and compliance with the conditions herein or therein set forth.

(H) On the Delivery Date, the following statements shall be correct, and each of the Owner Participant and the Original Loan Participant shall have received evidence satisfactory to it to the effect that:

(i) the Owner Trustee has good title (subject to filing and recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens (and of any rights of creditors to set aside the sale of the Aircraft by the Lessee) other than the rights and interests of the Owner Trustee and the Lessee under the Lease and the Lease Supplement covering the Aircraft, the Lien of, and the security interest created by, the Trust Indenture, the rights of the Indenture Trustee under the Trust Indenture, and the beneficial interest of the Owner Participant created by the Trust Agreement and the Trust Agreement and Indenture Supplement covering the Aircraft and other Liens of the type permitted by clauses (i), (iii) (other than Lessor's Liens) and (vii) of Section 6 of the Lease;

(ii) the Aircraft has been duly certified by the Federal Aviation Administration as to type and airworthiness in accordance with the

terms of the Lease and has a current valid United States standard certificate of airworthiness issued by the Federal Aviation Administration;

(iii) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall have been duly filed for recordation with the Federal Aviation Administration pursuant to the Federal Aviation Act;

(iv) application for registration of the Aircraft in the name of the Owner Trustee shall have been duly made with the Federal Aviation Administration;

(v) the Lessee has the regulatory authority required in order to operate the Aircraft on the Lessee's routes; and

(vi) to the best knowledge of the Lessee, there exist no Permitted Liens of the type described in clause (iv), (v) or (vi) of Section 6 of the Lease.

(I) On the Delivery Date for the Aircraft, the following statements shall be correct: (i) in the case of each of the Owner Trustee, the Owner Participant, the Original Loan Participant and the Indenture Trustee, the representations and warranties of the parties hereto other than itself are correct as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date), (ii) no material adverse change shall have occurred in the financial condition of the Lessee and its consolidated subsidiaries from that shown in the audited consolidated balance sheet of the Lessee and its consolidated subsidiaries as of December 31, 1991, (iii) no event has occurred and is continuing, or would result from the purchase, sale or lease of the Aircraft or the performance by the Lessee of its obligations under the Operative Docu-

ments, which constitutes an Event of Default or an Event of Loss or would constitute an Event of Default or an Event of Loss but for the requirement that notice be given or time elapse or both and (iv) no law, regulation or regulatory order (other than any Change in Tax Law) applicable to the Owner Participant or the Original Loan Participant or to the participation by either of them in the transactions contemplated hereby, shall have been enacted, issued or proposed prior to the Delivery Date that would have a material adverse effect on the ability of the Owner Participant or the Original Loan Participant to participate in the transactions contemplated hereunder.

(J) Each of the Owner Participant and the Original Loan Participant shall have received opinions addressed to it from Debevoise & Plimpton, special counsel for the Lessee, and from Anne H. McNamara, Esq., Senior Vice President-Administration and General Counsel of the Lessee, substantially in the respective forms set forth in Exhibit V and Exhibit VI hereto.

(K) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Potter Anderson & Corroon, special counsel for the Owner Trustee, substantially in the form set forth in Exhibit VII hereto.

(L) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Powell, Goldstein, Frazer & Murphy, special counsel for the Indenture Trustee, substantially in the form set forth in Exhibit VIII hereto.

(M) The Original Loan Participant shall have received (x) an opinion addressed to it from each of Sidley & Austin, special counsel for the Owner Participant, and G. Daniel McCarthy, General Counsel of the Owner Participant, substantially in the forms set forth in Exhibit IX hereto and (y) an opinion, in form and substance satisfactory to the Original Loan Participant, from King & Spalding, special counsel for the Original Loan Participant.

(N) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, substantially in the form set forth in Exhibit X hereto.

(O) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from counsel to the Manufacturer, substantially in the form set forth in Exhibit XI hereto.

(P) Each of the Owner Participant and the Original Loan Participant shall have received a certificate signed by the chief financial or accounting officer, any Senior Vice President, the Treasurer, any Vice President, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Lessee, dated the Delivery Date, certifying as to the correctness of each of the matters stated in paragraph (I) (except insofar as the same relate to the Owner Trustee, the Indenture Trustee, the Original Loan Participant or the Owner Participant) of this Section 4.

(Q) Each of the Lessee and the Original Loan Participant shall have received a certificate from the Owner Participant, dated the Delivery Date, signed by the President, any Senior Vice President or any Vice President of the Owner Participant, certifying that no Lessor's Liens attributable to the Owner Participant exist, and further certifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Owner Participant) of this Section 4.

(R) Each of the Owner Participant, the Lessee and the Original Loan Participant shall have received a certificate from the Owner Trustee, dated the Delivery Date, signed by an authorized officer of the Owner Trustee, certifying that no Lessor's Liens attributable to the Owner Trustee exist, that Wilmington Trust Company has duly delivered to the Office of the Superintendent of the Banking Department of the State of New York an application for qualification under Section 131(3) of the New York Banking Law with respect to its functioning as Owner Trustee under the Trust Agreement, and further cer-

tifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Owner Trustee in its individual capacity or as Owner Trustee) of this Section 4.

(S) The Owner Participant, the Owner Trustee, the Lessee and the Original Loan Participant shall have received a certificate from the Indenture Trustee, dated the Delivery Date, signed by an authorized officer of the Indenture Trustee, certifying that no Trustee's Liens exist, and further certifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Indenture Trustee) of this Section 4.

(T) The Owner Participant shall have received from Sidley & Austin, special counsel to the Owner Participant, a favorable opinion, in form and substance satisfactory to the Owner Participant, with respect to certain Federal income tax aspects of the transactions contemplated by the Operative Documents.

(U) The Owner Participant shall have received an opinion, in form and substance reasonably satisfactory to the Owner Participant, from BK Associates, Inc., independent aircraft appraisers, or such other recognized aircraft appraiser selected by the Owner Participant, to the effect that (A) the Aircraft will have, at the end of the Term and the first Renewal Term, (i) at least 20% of its economic life remaining and (ii) a fair market value of at least 20% of Lessor's Cost (without taking into account any increase or decrease for inflation or deflation during the Term and the first Renewal Term); (B) the fair market value of the Aircraft on the Delivery Date is equal to Lessor's Cost; and (C) the Special Purchase Price, prior to any adjustment thereto, equals or exceeds a reasonable current estimate of the fair market value (taking into account a reasonable estimate for inflation and deflation) of the Aircraft as of July 2, 2012.

(V) The Original Loan Participant shall have received a copy of the opinion described in clause (U) above (provided that the Original Loan Participant shall have executed a written waiver satisfactory to the Owner Participant of any claim it may

have against the Owner Participant arising therefrom) and such opinion shall be in form and substance reasonably satisfactory to it.

(W) All appropriate action required to have been taken on or prior to the Delivery Date in connection with the transactions contemplated by this Participation Agreement and the other Operative Documents shall have been taken by the Federal Aviation Administration, or any governmental or political agency, subdivision or instrumentality of the United States, and all orders, permits, waivers, authorizations, exemptions and approvals of such entities required to be in effect on the Delivery Date in connection with the transactions contemplated by this Participation Agreement and the other Operative Documents shall have been issued, and all such orders, permits, waivers, authorizations, exemptions and approvals shall be in full force and effect on the Delivery Date.

(X) In the opinion of the Owner Participant and its special counsel, there shall have been since January 1, 1992, no amendment, modification, addition, or change in or to the provisions of the Code (including for this purpose, any non-Code provisions of legislation affecting the Code such as transition rules or effective date provisions) and the regulations promulgated under the Code (including temporary regulations), Internal Revenue Service Revenue Procedures or Revenue Rulings, or other administrative interpretations, applicable judicial precedents or Executive Orders of the President of the United States, as in effect on the date hereof, the effect of which might preclude the Owner Participant from obtaining any of the income tax benefits and consequences assumed to be available to the Owner Participant as set forth in Section 1 of the Tax Indemnity Agreement.

(Y) No action or proceeding shall have been instituted nor shall governmental action be threatened before any court or governmental agency, nor shall any order, judgment or decree have been issued or proposed to be issued by any court or governmental agency at the time of the Delivery Date to set aside, restrain, enjoin or prevent the completion and consummation of this Participation Agreement and the

other Operative Documents or the transactions contemplated hereby and thereby.

(Z) The Indenture Trustee, on behalf of the Original Loan Participant, shall have a duly perfected first priority security interest in the Indenture Estate, subject only to Permitted Liens (other than Lessor's Liens and Trustee's Liens).

Promptly upon the registration of the Aircraft and the recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease (with the Lease Supplement covering the Aircraft, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached) and the Trust Indenture (with such Lease Supplement and such Trust Agreement and Indenture Supplement attached) pursuant to the Federal Aviation Act, the Lessee will cause Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, to deliver to each Participant, the Owner Trustee, the Indenture Trustee and the Lessee an opinion as to the due registration of the Aircraft, and the due recording of such instruments and the lack of filing of any intervening documents with respect to the Aircraft.

SECTION 5. Postponement of Delivery Date. (a) In the event that (i) the Original Loan Participant shall for any reason fail or refuse to make the full amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof, or (ii) the Owner Participant shall for any reason fail or refuse to make the full amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof, the Owner Trustee will forthwith give each party hereto telex, facsimile or telegraphic notice of such default and the Delivery Date for the Aircraft will be postponed up to the fifth succeeding Business Day as the Lessee may direct (and the term "Delivery Date" as used in this Agreement shall thereafter mean such postponed "Delivery Date"); provided that such postponed Delivery Date shall not be a date later than June 30, 1992. During such period, the Lessee shall have the right to find another leasing or financial institution to be substituted for the non-participating Original Loan Participant or Owner Participant, as the case may be; provided that in either event the institution so substituted shall sign and deliver an agreement, in

form and substance satisfactory to the Lessee, by which it will assume the balance of the Commitment of the non-participating Original Loan Participant or Owner Participant, as the case may be. Upon the execution and delivery of such agreement, the institution so substituted shall become the Original Loan Participant or the Owner Participant, as the case may be, and shall be deemed substituted for the non-participating Participant, for all purposes of this Agreement, the Trust Agreement, the Trust Indenture, and the Lease and to have assumed all obligations of the non-participating Participant thereunder which accrue after the date of execution and delivery. No action by the Lessee under this Section 5(a) shall be deemed to constitute a waiver or release of any right which the Lessee may have against the defaulting Participant. In the event that the Lessee cannot find another institution to be substituted for the non-participating Participant within such five Business Day period, then, in such event (i) the Owner Trustee shall not accept delivery of the Aircraft and (ii) this Agreement, the Trust Agreement, the Trust Indenture, the Lease and the Purchase Agreement Assignment and the other Operative Documents shall terminate and be of no further force or effect except as expressly provided herein or therein.

(b) A scheduled Delivery Date for the Aircraft may be postponed from time to time for any reason (but no later than June 30, 1992), other than pursuant to Section 5(a) hereof, if the Lessee gives the Owner Participant, the Original Loan Participant, the Indenture Trustee and the Owner Trustee telex, telegraphic, facsimile or telephonic (confirmed in writing) notice of such postponement and notice of the date to which such Delivery Date has been postponed, such notice of postponement to be received by each party no later than 2:00 P.M., New York City time, on the originally scheduled Delivery Date (and the term "Delivery Date" as used in this Agreement shall thereafter mean such postponed "Delivery Date").

(c) In the event of any postponement of the Delivery Date pursuant to Section 5(a) or 5(b) hereof, or if on an originally scheduled Delivery Date not postponed as above provided the Aircraft is not delivered to the Lessor by 3:00 P.M. or, if delivered, is not accepted by the Owner Trustee for any reason, the Owner Trustee will return by 4:00 P.M. on such date, any funds which it shall have received from any Participant as its Commitment for the Aircraft, absent joint instruction from the Lessee

and such Participant to retain funds until the specified date of postponement established under Section 5(a) or 5(b).

(d) Notwithstanding the provisions of this Section 5, no Participant shall be under any obligation to make its Commitment available beyond 3:00 P.M., New York City time, on June 30, 1992.

SECTION 6. Extent of Interest of Loan Participants. A Loan Participant shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal of, premium, if any, and interest on all Certificates held by such Loan Participant and all other sums payable to such Loan Participant hereunder, under the Trust Indenture and under such Certificates shall have been paid in full. By acceptance of a Certificate, each Loan Participant agrees that it will look solely to the income and proceeds from the Indenture Estate to the extent available for distribution to such Loan Participant as provided in Section 2.05 of the Trust Indenture and that neither the Owner Participant nor the Owner Trustee shall be personally liable to such Loan Participant for any amounts payable under the Certificates, the Trust Indenture or hereunder, except as expressly provided in the Operative Documents.

SECTION 7. Lessee's Representations, Warranties and Indemnities. (a) In General. The Lessee represents and warrants that:

(i) the Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware, is an "air carrier" within the meaning of the Federal Aviation Act, operating under certificates issued under Section 401 of such Act, is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, and has the corporate power and authority to own or hold under lease its properties and to enter into and perform its obligations under the Operative Documents to which it is a party, and is duly qualified to do business as a foreign corporation in good standing in each state in which it has intrastate routes or has a principal office or a major overhaul facility, and its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code as in effect

in the State of Texas) is located in Fort Worth, Texas;

(ii) the execution, delivery and performance of the Operative Documents to which the Lessee is a party have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, or approval or consent of any trustee or holder of any indebtedness or obligations of the Lessee, and do not contravene any law, governmental rule, regulation or order binding on the Lessee or the Certificate of Incorporation or By-Laws of the Lessee or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than as permitted under the Lease) upon the property of the Lessee or on the Aircraft under, any indenture, mortgage, contract or other agreement to which the Lessee is a party or by which it or any of its properties may be bound or affected;

(iii) neither the execution and delivery by the Lessee of the Operative Documents to which it is a party, nor the consummation of any of the transactions by the Lessee contemplated hereby or thereby, requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, or any other Federal, state, local or foreign governmental authority or agency, other than the registration and filings referred to in Section 7(a)(viii);

(iv) this Agreement has been duly executed and delivered and constitutes, and each other Operative Document to which the Lessee is a party has been duly executed and delivered and constitutes, a legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and except, in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not make the remedies provided in the Lease inadequate for the practical

realization of the rights and benefits provided thereby;

(v) there are no pending or threatened actions or proceedings before any court, governmental authority or administrative agency or arbitrator which would materially adversely affect the consolidated financial condition of the Lessee and its consolidated subsidiaries, taken as a whole, or the ability of the Lessee to perform its obligations under the Operative Documents to which it is a party;

(vi) the Lessee and its subsidiaries have filed or caused to be filed all Federal, state, local and foreign tax returns which are required to be filed and have paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by the Lessee or any of its subsidiaries, to the extent that such taxes have become due and payable; the Federal income tax liability, if any, of the Lessee has been determined by the Internal Revenue Service (or the statute of limitations has expired with respect to a redetermination of such liability) and (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) paid for all years prior to and including the fiscal year ended December 31, 1984; the Federal income tax returns of the Lessee for the fiscal years ended December 31, 1985 to December 31, 1990, inclusive, are subject to examination by the Internal Revenue Service;

(vii) the audited consolidated balance sheet of the Lessee and its subsidiaries as of the end of each of its last three fiscal years, and the related consolidated statements of operations and cash flows for the three fiscal years then ended, fairly present the consolidated financial position of the Lessee and its consolidated subsidiaries as at the end of each such fiscal year and the consolidated results of their operations and cash flows for each such fiscal year in accordance with generally accepted accounting principles applied on a consistent basis (except as may be noted in such financial statements); since December 31, 1991, there has been no material adverse

change in such consolidated financial position of the Lessee and its consolidated subsidiaries, taken as a whole;

(viii) except for the registration of the Aircraft, pursuant to the Federal Aviation Act, and except for the filing for recording pursuant to said Act of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, the Lease (with the Lease Supplement covering the Aircraft, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached), the Trust Agreement and the Trust Indenture (with such Lease Supplement and such Trust Agreement and Indenture Supplement attached), no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction), is necessary or advisable in order to establish and perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties (other than the filing of a financing statement in respect thereof under Article 9 of the Uniform Commercial Code as in effect in the State of Texas), or to perfect the security interest in the Owner Trustee's interest in the Aircraft created under the Trust Indenture in favor of the Indenture Trustee (with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to Section 503(a) of the Federal Aviation Act) and in the Lease (to the extent that the Lease does not constitute chattel paper as such term is defined in the Uniform Commercial Code) in any applicable jurisdiction in the United States;

(ix) the Lessee is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended;

(x) the Lessee is not in default in the performance of any term or condition of the Purchase Agreement which materially adversely impairs the transactions contemplated hereby;

(xi) none of the proceeds from the issuance of the Certificates or from the acquisition by the Owner Participant of its beneficial interest in the Trust Estate will be used directly or indirectly by the Lessee to purchase or carry any "margin stock" as such term is defined in Regulation G of the Board of Governors of the Federal Reserve System; and

(xii) the Lessee has not voluntarily subjected the Aircraft to any lease or mortgage, the existence of which has not been disclosed to the Lessor.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, IN THE PURCHASE AGREEMENT ASSIGNMENT, OR IN THE LEASE TO THE CONTRARY, EXCEPT TO THE EXTENT SPECIFICALLY PROVIDED IN THE WARRANTY BILL OF SALE REFERRED TO IN Section 4(E)(x), THE LESSEE DOES NOT MAKE NOR SHALL THE LESSEE BE DEEMED TO HAVE MADE, AND THE LESSEE HEREBY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE WORKMANSHIP, DESIGN, PATENT INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR USE OF THE AIRCRAFT AS OF THE DELIVERY DATE. NOTHING CONTAINED IN THE PRECEDING SENTENCE SHALL BE INTERPRETED TO BE IN DEROGATION OF OR CONSTRUED TO LIMIT THE LESSEE'S INDEMNITY OBLIGATIONS HEREUNDER OR TO EXCUSE THE PERFORMANCE BY THE LESSEE OF ITS OBLIGATIONS UNDER THIS AGREEMENT, ANY OTHER OPERATIVE DOCUMENT OR THE BILLS OF SALE.

(b) General Indemnity. (1) Claims Defined. For the purposes of this Section 7(b), "Claims" shall mean any and all liabilities, obligations, losses, damages, penalties, claims, actions or suits of whatsoever kind and nature (whether or not on the basis of negligence, strict or absolute liability or liability in tort) which may be imposed on, incurred by, suffered by, or asserted against an Indemnitee, as defined herein, and, except as otherwise expressly provided in this Section 7(b), shall include all costs, disbursements and expenses (including reasonable legal fees and expenses) of an Indemnitee in connection therewith or related thereto.

(2) Indemnitee Defined. For the purposes of this Section 7(b), "Indemnitee" means the Owner Trustee (in both its individual capacity and as Owner Trustee), the Owner Participant (and, so long as the Owner Participant is a direct or indirect subsidiary of American Telephone and Telegraph Company, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), any Loan Participant, the Indenture Trustee

(in both its individual capacity and as Indenture Trustee), Credit (as defined in the Tax Indemnity Agreement) and their respective successors and permitted assigns, directors, officers, employees, agents and servants (the respective successors and permitted assigns, directors, officers, employees, agents and servants of (a) the Owner Trustee, together with the Owner Trustee, (b) the Owner Participant (and, if applicable, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), together with the Owner Participant (and, if applicable, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), (c) any Loan Participant, together with such Loan Participant, (d) the Indenture Trustee, together with the Indenture Trustee, and (e) Credit, together with Credit, being in each case referred to herein collectively as the "Related Indemnitee Group" for each such party).

(3) Claims Indemnified. Subject to the exclusions stated in subsection (4) below, whether or not any of the transactions contemplated hereby shall be consummated, the Lessee agrees to indemnify, protect, defend and hold harmless on an After-Tax Basis each Indemnitee against Claims in any way resulting from or arising out of (i) the Operative Documents or any sublease under the Lease or the enforcement of any of the terms thereof, or any amendment, modification or waiver in respect thereof or any of the transactions contemplated hereby or thereby, (ii) the purchase, acceptance or rejection of the Aircraft, the Airframe, any Engine, engine or Part (or any portion thereof) hereunder, (iii) the manufacture, design, purchase, resale, acceptance, non-acceptance or rejection of the Aircraft hereunder or under the Lease, (iv) the Aircraft, whether or not arising out of the ownership, delivery, non-delivery, lease, sublease, possession, use, non-use, substitution, airworthiness, state of airworthiness, control, maintenance, repair, operation, registration, condition, sale, storage, modification, alteration, return, transfer or other disposition of the Aircraft, the Airframe, any Engine, any engine installed on the Airframe or any Part (or portion thereof) (including, without limitation, latent or other defects, whether or not discoverable, strict tort liability, and any claim for patent, trademark or copyright infringement), (v) any breach of or failure to perform or observe, or any other non-compliance with, any covenant, condition or agreement or other obligations to be performed by the Lessee under any Operative Document or the falsity of any

representation or warranty of the Lessee in any of the Operative Documents, other than covenants, conditions, agreements, obligations, representations and warranties in the Tax Indemnity Agreement, or (vi) the offer, sale or delivery of any Certificates or any interest in the Trust Estate. Without limitation of the foregoing, the Lessee agrees to pay the reasonable ongoing fees, and the reasonable ongoing out-of-pocket costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and, to the extent payable as provided in the Trust Indenture, reasonable compensation and expenses of the Indenture Trustee's agents), of the Owner Trustee and the Indenture Trustee in connection with the transactions contemplated by the Operative Documents.

(4) Claims Excluded. The following are excluded from the Lessee's agreement to indemnify any Indemnatee under this Section 7(b):

(i) Any Claim to the extent caused by acts or events occurring after the earlier of (x) the return of the Aircraft under the Lease (it being understood that the date of the placement of the Aircraft in storage as provided in Section 5(d) of the Lease constitutes the date of return of the Aircraft under the Lease), and (y) the expiration or earlier termination of the Lease under circumstances not requiring the return of the Aircraft, unless and to the extent such Claim is attributable to acts occurring in connection with the exercise of remedies pursuant to Section 15 of the Lease following the occurrence and continuance of an Event of Default thereunder;

(ii) Any Claim to the extent attributable to a Tax, or any Claim of the Owner Participant to the extent attributable to a Loss, whether or not Lessee is required to indemnify therefor under Section 7(c) of this Participation Agreement or the Tax Indemnity Agreement, provided that this Section 7(b)(4)(ii) shall not exclude the reasonable out-of-pocket costs, disbursements and expenses incurred with respect to Taxes for which the Lessee is required to indemnify under Section 7(c) of this Participation Agreement;

(iii) Any Claim to the extent caused by the gross negligence or willful misconduct of such Indemnatee or any of its Related Indemnatee Group (other than any gross negligence or willful misconduct imputed as

a matter of law to such Indemnatee solely by reason of its status as a party to any of the Operative Documents);

(iv) Any Claim to the extent caused by the noncompliance by such Indemnatee or any of its Related Indemnatee Group with any of the terms of, or any misrepresentation by such Indemnatee or any of its Related Indemnatee Group contained in, this Participation Agreement or any other Operative Document to which such Indemnatee or any of its Related Indemnatee Group is a party or any agreement relating hereto or thereto (except if such representation or warranty was based on an inaccurate representation or warranty of the Lessee);

(v) Any Claim that constitutes a Permitted Lien attributable to such Indemnatee;

(vi) Any Claim to the extent caused by the offer, sale or disposition (voluntary or involuntary) by or on behalf of such Indemnatee of any Certificates or any interest in the Trust Estate or the Trust Agreement, or any similar security, other than a transfer by such Indemnatee of its interests in the Aircraft pursuant to Section 9, 10, 15 or 20 of the Lease and any related provision of the Trust Indenture including, without limitation, Article IV thereof (it being understood that (1) the cancellation of any Loan Certificates in connection with a refinancing under Section 17 or 20 shall not constitute a disposition of Loan Certificates for purposes of this Section 7(b)(4)(vi) and (2) this Section 7(b)(4)(vi) shall not be construed to exclude a Claim against or incurred by the Original Loan Participant by a holder of a participation in the Original Loan Participant's Loan Certificates which arises as a result of a Claim against or incurred by such holder of a participation which would otherwise be an indemnified Claim (as defined in Section 7(b)(1) and not otherwise excluded pursuant to Section 7(b)(4)) if such Claim had been brought directly against or incurred directly by the Original Loan Participant; provided that the Lessee's liability hereunder with respect to any such Claim shall under no circumstances be any greater than such liability would have been had the Original Loan Participant not granted any such participation);

(vii) Any Claim to the extent caused by a failure on the part of the Owner Trustee to distribute in accordance with the Trust Agreement any amounts received and distributable by it thereunder;

(viii) Any Claim (other than to the extent any such Claim is brought against the Owner Participant or the Owner Trustee and the Related Indemnitee Group of such Indemnitee) to the extent caused by a failure on the part of the Indenture Trustee to distribute in accordance with the Trust Indenture any amounts received and distributable by it thereunder;

(ix) Any Claim to the extent caused by the authorization or giving or withholding by such Indemnitee of any future amendments, supplements, waivers or consents with respect to any of this Participation Agreement and the other Operative Documents, other than such as have been requested by or consented to by the Lessee, or such that occur as a result of an Event of Default that shall have occurred and is continuing, or such as are required or contemplated by (and, if contemplated by, in compliance with) the provisions of the Operative Documents in order to give effect thereto;

(x) Any Claim to the extent caused by an Indenture Default that does not also constitute an Event of Default under the Lease;

(xi) Any Claim that would not have arisen but for the appointment of a successor or an additional Owner Trustee without the consent of the Lessee;

(xii) Any Claim to the extent caused by the failure of a Person other than the Lessee to pay a cost, fee or expense payable by such Person in accordance with Section 9(a), 9(b), 9(c), 9(e), 9(f), 9(g), 9(j), 16(b), 16(c), or 18(b) hereof, or Section 5(d), 5(f), 9, 10, 11 or 25 of the Lease;

(xiii) Any Claim that is an ordinary and usual operating or overhead expense other than to the extent caused by (a) the occurrence of an Event of Default or an Event of Loss or (b) circumstances beyond the scope of routine portfolio administration (such routine portfolio administration to be deemed to include tax preparation and other normally oc-

curing administrative tasks but shall not include any administrative obligations of the Lessee under the Operative Documents performed by any Indemnitee);

(xiv) Any Claim to the extent that such Claim relates to amounts payable by the Owner Trustee to the Indenture Trustee in respect of the Break Amount, if any, payable with respect to the Certificates as a result of (x) any prepayment of the Certificates or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (y) an Indenture Default that does not also constitute an Event of Default; and

(xv) Any Claim made by American Telephone and Telegraph Company, AT&T Capital Corporation or any Affiliate of either thereof (other than the Owner Participant), to the extent that such Claim is based on losses suffered by or any decline in the net worth of the Owner Participant (but only to the extent that any such losses or decline in net worth are caused by events for which the Owner Participant is not indemnifiable by the Lessee under the Operative Documents).

A limitation on the Claims of one Indemnitee under this Section 7(b)(4) shall not provide a basis for limiting any Claim of any other Indemnitee.

(5) Insured Claims. In the case of any Claim indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by the Lessee pursuant to Section 11 of the Lease, each Indemnitee agrees to cooperate, at the Lessee's expense, with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim.

(6) Claims Procedure. An Indemnitee shall promptly notify the Lessee of any Claim as to which indemnification is sought provided that the failure to provide such prompt notice shall not release the Lessee from any of its obligations to indemnify hereunder. Any amount payable to any Indemnitee pursuant to this Section 7(b) shall be paid within thirty days after receipt of a written demand therefor from such Indemnitee accompanied by a written statement describing in reasonable detail the

Claims which are the subject of and basis for such indemnity and the computation of the amount so payable. Subject to the rights of insurers under policies of insurance maintained pursuant to Section 11 of the Lease, so long as no Event of Default under Section 14(f), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing, the Lessee (at its sole cost and expense) shall have the right to investigate, and the right in its sole discretion to defend or compromise, any Claim for which indemnification is sought under this Section 7(b), and the Indemnitee shall cooperate, at the Lessee's expense, with all reasonable requests of the Lessee in connection therewith; provided, however, that so long as an Event of Default under Section 14(a) of the Lease has occurred and is continuing, such Indemnitee shall have the right, along with the concomitant right of the Lessee, to investigate, defend or compromise any such Claim. The Lessee will provide the Indemnitee with such information not within the control of such Indemnitee, as is in the Lessee's control or as reasonably available to the Lessee, which such Indemnitee may reasonably request and shall otherwise cooperate with such Indemnitee so as to enable such Indemnitee to fulfill its obligations under this Section 7(b)(6). Where the Lessee or the insurers under a policy of insurance maintained by the Lessee undertake the defense of an Indemnitee with respect to a Claim, and so long as the Lessee is entitled to control such defense, no additional legal fees or expenses of such Indemnitee in connection with the defense of such Claim shall be indemnified hereunder unless such fees or expenses were incurred at the request of the Lessee or such insurers; provided, however, that if (i) in the written opinion of counsel to such Indemnitee an actual or potential material conflict of interest exists where it is advisable for such Indemnitee to be represented by separate counsel or (ii) such Indemnitee has been indicted or otherwise charged in a criminal complaint and such Indemnitee informs the Lessee that such Indemnitee desires to be represented by separate counsel, the reasonable fees and expenses of any such separate counsel shall be borne by the Lessee. Subject to the requirements of any policy of insurance, an Indemnitee may participate at its own expense in any judicial proceeding controlled by the Lessee pursuant to the preceding provisions; provided that such party's participation does not, in the reasonable opinion of the independent counsel appointed by the Lessee or its insurers to conduct such proceedings, significantly interfere with such control; and such participation shall not constitute a waiver of

the indemnification provided in this Section 7(b). Notwithstanding anything to the contrary contained herein, (x) the Lessee shall not under any circumstances be liable for the fees and expenses of more than one counsel for each of (i) the Owner Participant and the Owner Trustee (and their respective successors and permitted assigns, agents and servants and other members of their respective Related Indemnitee Groups) and (ii) the Loan Participants and the Indenture Trustee (and their respective successors and permitted assigns, agents and servants) except in the case specified in the proviso to the third sentence of this paragraph (6) and (y) the Lessee shall not defend or compromise any Claim if such proceedings will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on the Airframe, any Engine or any part of any thereof, or the Indenture Estate or the Trust Estate or any part of any thereof, unless the Lessee shall have provided security for Lessee's obligations under this Section 7(b) with respect to such Claim reasonably satisfactory to the relevant Indemnitees in respect to such risk.

(7) Subrogation. To the extent that a Claim indemnified by the Lessee under this Section 7(b) is in fact paid in full by the Lessee and/or an insurer under a policy of insurance maintained by the Lessee pursuant to Section 11 of the Lease, the Lessee and/or such insurer, as the case may be, shall be subrogated to the rights and remedies of the Indemnitee on whose behalf such Claim was paid (other than rights of such Indemnitee under insurance policies maintained at its own expense) with respect to the transaction or event giving rise to such Claim, except that the Lessee shall not be subrogated to any rights or remedies that the Owner Trustee may have against the Owner Participant under Section 7.01 of the Trust Agreement or that the Indenture Trustee may have against the Owner Trustee under Section 7.01 of the Trust Indenture. So long as no Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i) of the Lease) shall have occurred and be continuing, should an Indemnitee receive any refund, in whole or in part, with respect to any Claim paid by the Lessee hereunder, it shall promptly pay the amount refunded (but not an amount in excess of the amount the Lessee or any of its insurers has paid in respect of such Claim) over to the Lessee. Moreover, if, by reason of any Claim that the Lessee has paid or indemnified against pursuant to this Section 7(b), an Indem-

nitee realizes an actual reduction in any Taxes that was not previously taken into account in computing a payment by the Lessee pursuant to this Section 7(b), then such Indemnatee shall promptly pay to the Lessee an amount equal to the actual net reduction in Taxes realized by such Indemnatee attributable thereto plus the actual reduction in Taxes realized by such Indemnatee as a result of any payment to the Lessee pursuant to this sentence. Each Indemnatee shall in good faith use reasonable diligence in filing its tax returns and in dealing with taxing authorities to seek and claim any tax benefits that would result in such net reductions in Taxes.

(8) No Guaranty. Nothing set forth in this Section 7(b) shall constitute a guarantee by the Lessee that the Aircraft shall have any particular useful life or residual value or a guarantee to the Indenture Trustee or the Loan Participants that the Certificates will be paid. Each of the Loan Participants agrees that the provisions of Section 2.18 of the Trust Indenture constitute its sole remedy for the reimbursement of Increased Costs described therein and that nothing in this Section 7(b) shall constitute an indemnity for any Increased Cost or any cost or loss in the nature of an Increased Cost.

(c) General Tax Indemnity. (1) Indemnity. Except as provided in Section 7(c)(2) hereof, the Lessee shall pay or indemnify and hold harmless on an After-Tax Basis each Tax Indemnatee from and against any and all fees (including without limitation license, documentation and registration fees) and all taxes, whether now existing or hereafter adopted (including, without limitation, income, gross receipts, sales, use, value-added, property (tangible and intangible), excise and stamp taxes), levies, imposts, duties, charges or withholdings, together with any penalties, fines or interest thereon or other additions thereto (hereinafter collectively called "Taxes" and individually called a "Tax") imposed against or payable by any Tax Indemnatee (including amounts so payable by any such Tax Indemnatee solely as withholding agent), the Lessee, any sublessee, sub-sublessee or other user of the Aircraft, any Engine, or any Part, or any Affiliate of any such user, or imposed against the Aircraft, any Engine or any Part, by any Federal, state or local government or other taxing authority in the United States or by any foreign government or by any territory or possession of the United States or by any international authority or by any political subdivision or taxing authority of any of

the foregoing (hereinafter, a "Taxing Authority") in connection with or relating to (a) the construction, mortgaging, financing, refinancing, purchase, acquisition, acceptance, rejection, delivery, nondelivery, transport, location, ownership, control, insurance, registration, reregistration, deregistration, assembly, possession, repossession, operation, use, condition, maintenance, repair, sale, return, abandonment, replacement, preparation, installation, storage, redelivery, manufacture, leasing, subleasing, modification, rebuilding, importation, transfer of title, transfer of registration, exportation or other application or disposition of, the Aircraft, any Engine or any Part or any interest in any thereof, (b) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease, (c) any amount paid or payable pursuant to any Operative Document, (d) the Aircraft, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof, (e) any or all of the Operative Documents, any or all of the Certificates or any interest in any or all thereof, or the offering, registration, reregistration, issuance, acquisition, assumption, modification, reissuance, refinancing or refunding of any or all thereof, and any other documents contemplated hereby or thereby and amendments and supplements hereto and thereto, (f) the payment of the principal of, or interest or premium on, or other amounts payable with respect to, any or all of the Certificates, whether as originally issued or pursuant to any refinancing, refunding, assumption, modification or reissuance, or any other obligation evidencing any loan in replacement of the loan evidenced by any or all of the Certificates, (g) any change in the Owner Trustee or the situs of the Trust Estate made pursuant to Section 9(d) hereof, (h) the property, or the income, earnings, receipts or other proceeds received with respect to the property, held by the Indenture Trustee under the Trust Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents.

(2) Exclusions. The provisions of Section 7(c)(1) hereof shall not apply to:

(i) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the

Owner Participant by the United States Federal government that are on, based on or measured by gross or net income or gross or net receipts of the Owner Participant or any related Tax Indemnitee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnitee;

(ii) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by any state or local taxing jurisdiction in the United States ("State or Local Taxing Authority") that are on, based on or measured by net or gross income or net or gross receipts of the Owner Participant or any related Tax Indemnitee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnitee, provided that there shall not be excluded under this clause (ii) any Taxes on, based on or measured by gross income or gross receipts imposed by any State or Local Taxing Authority to the extent such Taxes would have been imposed had the operation or presence of the Aircraft, any Engine, any Part or the Lessee in, or the Lessee's making payments under the Lease from, the jurisdiction imposing such Taxes been the sole connection between the Owner Participant (and any such related Tax Indemnitee) and such jurisdiction;

(iii) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by any taxing jurisdiction other than the United States Federal government and other than any State or Local Taxing Authority ("Foreign Taxing Authority") that are on, based on or measured by net or gross income or net or gross receipts of the Owner Participant or any related Tax Indemnitee (including any minimum Taxes, withholding Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnitee; provided that there shall not be excluded under this subparagraph (iii) any Taxes

imposed by any Foreign Taxing Authority if, and to the extent, such Taxes would have been imposed had the only connections between the Owner Participant (and any such related Tax Indemnitee) and such jurisdiction been (w) the operation or presence in such jurisdiction of the Aircraft, any Engine or any Part, (x) the operation or presence in such jurisdiction of any other items of transportation equipment usable in international commerce owned by the Owner Participant and leased to unrelated lessees in long term net leases, (y) the presence of the Lessee in, or the Lessee's making payments under the Lease from, such jurisdiction or (z) any combination of the preceding clauses (w), (x) and (y);

(iv) Taxes imposed on a Tax Indemnitee on or with respect to any transfer (other than any transfer that occurs as a result of an Event of Default that has occurred and is continuing or as a result of the substitution, replacement, modification, pooling or improvement of the Aircraft or any part thereof or interest therein, any Engine or any Part or pursuant to Section 8, 9, 10, or 20 of the Lease) (x) by such Tax Indemnitee or any Related Tax Indemnitee of any interest in the Aircraft, any Engine, any Part or any Certificate or any interest arising under the Operative Documents (for the avoidance of doubt, the assumption by the Lessee of the rights and obligations of the Owner Trustee under the Indenture and the Certificates pursuant to Section 2.16 of the Indenture shall not be considered a transfer described in this clause (x)) or (y) of any interest in such Tax Indemnitee or any Related Tax Indemnitee;

(v) Taxes imposed on a Tax Indemnitee to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed and indemnified against had there not been a transfer (other than any transfer that occurs as a result of an Event of Default that has occurred and is continuing) (x) by such Tax Indemnitee or any Related Tax Indemnitee of any interest in the Aircraft, any Engine, any Part or any Certificate or any interest arising under the Operative Documents (for the avoidance of doubt, the assumption by the Lessee of the rights and obligations of the Owner Trustee under the Indenture and the Certificates pursuant to Section 2.16 of the Indenture shall not be considered a transfer de-

scribed in this clause (x)) or (y) of any interest in such Tax Indemnatee or any Related Tax Indemnatee;

(vi) Taxes imposed on the Owner Trustee or the Indenture Trustee that are on, based on or measured by any trustee fees for services rendered by the Owner Trustee in its capacity as trustee under the Trust Agreement, or by the Indenture Trustee in its capacity as trustee under the Trust Indenture, as the case may be;

(vii) Taxes for so long as such Taxes are being contested in accordance with the provisions of Section 7(c)(4) hereof;

(viii) Taxes attributable to the Aircraft or any Engine that are imposed with respect to any period after the earlier of (x) the return of the Aircraft (or such Engine) under the Lease (it being understood that the date of the placement of the Aircraft in storage as provided in Section 5(d) of the Lease constitutes the date of return of the Aircraft and Engines under the Lease) and (y) the expiration or earlier termination of the Lease under circumstances not requiring the return of the Aircraft; provided that the exclusion set forth in this subparagraph (viii) shall not apply to Taxes to the extent such Taxes relate to events or conditions occurring or matters arising prior to or simultaneously with such time;

(ix) Taxes that would not have been imposed but for (A) in the case of Taxes imposed on or with respect to the Owner Trustee, the Trust Estate, the Owner Participant or any related Tax Indemnatee with respect to any of the foregoing, the existence of any Lessor's Liens, (B) in the case of Taxes imposed on or with respect to any Tax Indemnatee (other than Wilmington Trust Company or NationsBank of Georgia, National Association, their respective successors and assigns (including, without limitation, each and any Person who is at any time a replacement Owner Trustee or Indenture Trustee), their respective officers, directors, servants and agents and their respective Affiliates), any act or omission of such Tax Indemnatee or any Tax Indemnatee related to such Tax Indemnatee that is in violation of any of the terms of the Operative Documents, (C) in the case of Taxes

imposed on or with respect to any Tax Indemnitee, any act or omission of such Tax Indemnitee or any Tax Indemnitee related to such Tax Indemnitee that constitutes gross negligence or willful misconduct, or the inaccuracy of any representation, warranty or covenant by such Tax Indemnitee or such related Tax Indemnitee, but only if, in any such case described in the immediately preceding clause (B) or (C), such act, omission or inaccuracy is not a result in whole or in part of (I) any act or omission of the Lessee or any sublessee or Person (other than a Tax Indemnitee) that is a user of the Aircraft or any Engine or any Affiliate of any thereof or (II) the breach or inaccuracy of any representation, warranty or covenant of the Lessee or any Affiliate, or (D) in the case of Taxes imposed on or with respect to the Indenture Trustee, the Indenture Estate, any Loan Participant or any related Tax Indemnitee with respect to any of the foregoing, the existence of any Loan Participant Lien;

(x) Taxes imposed on any Tax Indemnitee (other than any Loan Participant, the Indenture Trustee or the Indenture Estate) to the extent such Taxes are increased (A) as a result of a change in the situs of the Trust Estate (other than a change at the Lessee's request or a change that is consented to by the Lessee in writing, which consent shall not unreasonably be withheld and the request for which shall have specified this subparagraph (x)) or (B) as a result of the unreasonable failure of the Owner Participant to comply or the gross negligence of the Owner Trustee in complying with the Lessee's request pursuant to Section 9(d) hereof to move the situs of the Trust Estate to another jurisdiction;

(xi) Taxes imposed on a Tax Indemnitee (other than the Indenture Trustee or the Indenture Estate) that would not have been imposed upon such Tax Indemnitee but for any failure of such Tax Indemnitee or any related Tax Indemnitee to comply with (x) certification, information, documentation, reporting or other similar requirements concerning the nationality, residence, identity or connection with the jurisdiction imposing such Taxes, if such Tax Indemnitee's or any related Tax Indemnitee's compliance is required by statute or by regulation of the jurisdiction imposing such Taxes as a precondition to relief

or exemption from such Taxes and the Tax Indemnitee or such related Tax Indemnitee was eligible for such relief or exemption or (y) any other certification, information, documentation, reporting or other similar requirements under the Tax laws or regulations of the jurisdiction imposing such Taxes that would establish entitlement to otherwise applicable relief or exemption from such Taxes, provided that the exclusion set forth in this subparagraph (xi) shall not apply if such failure to comply was due to a failure of the Lessee (A) timely to notify such Tax Indemnitee of such requirement or (B) to provide reasonable assistance in complying with such requirement or, in the case of the Owner Participant, if such failure was the result of the Owner Trustee's negligence or the Owner Trustee's actions or failure to act in accordance with instructions of the Owner Participant or, in the case of any Loan Participant, if such failure was the result of the Indenture Trustee's negligence or the Indenture Trustee's actions or failure to act in accordance with instructions of such Loan Participant;

(xii) Taxes imposed on any Tax Indemnitee other than any Loan Participant, the Indenture Trustee or the Indenture Estate in the nature of any intangible or similar tax upon or with respect to the value of the interest of the Owner Participant in the Trust Estate imposed by any government or taxing authority in which the Owner Participant is subject to tax without regard to the ownership or lease of the Aircraft;

(xiii) Taxes that would not have been imposed but for an amendment to any Operative Documents not consented to by the Lessee in writing (other than any amendment that occurs after an Event of Default has occurred and while it is continuing);

(xiv) Taxes imposed on the Owner Participant, the Owner Trustee or the Trust Estate by the United States or by any state or local government or taxing authority in the United States (including any territory or possession thereof) by reason of the trust described in the Trust Agreement being taxed in the same manner as a corporation;

(xv) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on any Loan Participant that are on, based on or measured by gross or net income or gross or net receipts of such Loan Participant or any related Tax Indemnitee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of such Loan Participant or any related Tax Indemnitee by (x) the Federal government of the United States or (y) any state or local government or taxing authority in the United States or any foreign government or any territory or possession of the United States or any international authority or any political subdivision or taxing authority of any of the foregoing except to the extent that such Taxes would have been due had the transactions contemplated by the Operative Documents been the sole connection between the jurisdiction imposing such Taxes and such Loan Participant, provided that there shall not be excluded under clause (x) or (y) of this subparagraph (xv) Taxes to the extent imposed by reason of such Loan Participant being treated as having a taxable exchange as a result of an assumption by the Lessee of the rights and obligations of the Owner Trustee under the Indenture and the Certificates pursuant to Section 2.16 of the Indenture; and

(xvi) Taxes imposed on any Loan Participant in the nature of any intangible or similar tax upon or with respect to the value of the interest of such Loan Participant in any Certificate or the loan evidenced thereby, except to the extent that such Taxes would have been due had the transactions contemplated by the Operative Documents been the sole connection between the jurisdiction imposing such Taxes and such Loan Participant.

(3) Tax Benefit Payback. If, by reason of the payment or accrual of any Taxes indemnified hereunder, a Tax Indemnitee realizes an actual reduction in any Taxes, which reduction in Taxes was not taken into account in calculating any indemnity payments made by the Lessee hereunder, then such Tax Indemnitee shall promptly pay to the Lessee an amount equal to such actual reduction in Taxes, if any, plus the actual reduction in Taxes realized by such Tax Indemnitee or any related Tax Indemnitee as

the result of any payment made by such Tax Indemnatee pursuant to this sentence. Each Tax Indemnatee shall in good faith use diligence in filing its tax returns and in dealing with Taxing Authorities to seek and claim any tax benefit that would result in any such reduction in Taxes or any refund of any Taxes payable or indemnifiable by the Lessee hereunder, provided that no Loan Participant shall have any obligation to claim any credit or any deduction in priority to any other claims, reliefs, credits or deductions available to it. Any Taxes that are imposed on any Tax Indemnatee as a result of the disallowance or reduction of any reduction in Taxes referred to in the second preceding sentence as to which (and to the extent) such Tax Indemnatee has made any payment to the Lessee required hereby shall be treated as a Tax for which the Lessee is obligated to indemnify such Tax Indemnatee pursuant to the provisions of this Section 7(c) without regard to the exclusions set forth in Section 7(c)(2). For the purposes of this Section 7(c)(3), items of foreign Tax of any Tax Indemnatee (other than any Loan Participant) shall be deemed to be utilized by such Tax Indemnatee as credits or deductions in any taxable year in accordance with the following:

- (i) First, all available foreign Taxes other than those arising out of leveraged lease transactions; and
  - (ii) Second, foreign Taxes arising from leveraged lease transactions for which such Tax Indemnatee was not indemnified or held harmless by anyone; and
  - (iii) Third, all available foreign Taxes for which such Tax Indemnatee was indemnified or held harmless by the Lessee and all other available foreign Taxes indemnified under any other leveraged lease transactions (other than those arising from any transaction in which there is an express agreement that such Taxes shall be utilized last), on a pari passu basis; and
  - (iv) Fourth, any remaining foreign Taxes arising from any transaction in which there is an express agreement that such Taxes shall be utilized after such Taxes described above.
- (4) Contests. If a written claim shall be made against any Tax Indemnatee for any Tax for which the

Lessee is obligated pursuant to this Section 7(c), such Tax Indemnatee shall notify the Lessee in writing promptly of such claim, provided that the Lessee shall not be relieved of its obligations hereunder by reason of a failure by the Tax Indemnatee to give such notice unless such failure materially interferes with or prevents the Lessee from exercising its contest rights hereunder. If the Lessee shall so request in writing within 30 days after receipt of such notice, such Tax Indemnatee shall in good faith at the Lessee's expense contest the imposition of such Tax (including taking an appeal of any adverse judicial decision) by (a) resisting payment of such Tax, (b) paying such Tax under protest or (c) paying such Tax and seeking a refund or other repayment thereof, provided that, at such Tax Indemnatee's option, such contest shall be conducted by the Lessee in the name of such Tax Indemnatee or, if permitted by law, in the name of the Lessee, and that in no event shall such Tax Indemnatee be required to contest, or the Lessee permitted to contest in the name of such Tax Indemnatee or the Lessee, the imposition of any Tax for which the Lessee is obligated pursuant to this Section 7(c) unless (v) the Lessee shall have delivered a written opinion of its internal counsel or outside counsel to the effect that there is a reasonable basis (consistent with Formal Opinion 85-352 of the American Bar Association) for contesting such claim, (w) if an Event of Default shall have occurred or be continuing, the Lessee shall have provided security for its obligations hereunder reasonably satisfactory to the Tax Indemnatee, (x) the Lessee shall have agreed to pay such Tax Indemnatee on demand all reasonable out-of-pocket costs and expenses that such Tax Indemnatee may incur in connection with contesting such claim (including, without limitation, all reasonable legal and accounting fees and disbursements), (y) the action to be taken will not result in any material danger of sale, forfeiture or loss of the Aircraft, Airframe, any Engine or any material Part or any interest in any thereof and (z) if such contest shall be conducted in a manner requiring the payment of the claim, the Lessee shall pay such claim or shall advance to the Tax Indemnatee on an interest-free basis and with no additional net after-tax cost to the Tax Indemnatee sufficient funds to pay the claim. Except as otherwise provided herein, the contest shall be conducted in the manner determined by the Lessee unless it involves issues with respect to which the Lessee would not be required to indemnify such Tax Indemnatee hereunder which can not be severed by reasonable efforts of such Tax Indemnatee from all issues with re-

spect to which the Lessee would be liable hereunder. If the contest involves issues with respect to which the Lessee would not be required to indemnify such Tax Indemnatee hereunder that can not be severed by reasonable efforts of such Tax Indemnatee from all issues with respect to which the Lessee would be liable hereunder, such Tax Indemnatee may in its sole discretion select the forum for such contest and determine the manner in which such contest shall be conducted, provided that such Tax Indemnatee shall afford the Lessee and its counsel a reasonable opportunity to discuss with such Tax Indemnatee the Lessee's interests with respect to such contest. No contest of any issue with respect to which the Lessee would be required to indemnify hereunder shall be settled without the prior written consent of the Lessee unless the Tax Indemnatee waives (by written notice to the Lessee) the payment by the Lessee of any amount that might otherwise be payable by the Lessee under this Section 7(c) in respect of such issue and any related issue the contest of which is effectively foreclosed by the settlement of such issue, including any payment arising from such issue in subsequent years or which arises by reason of the fact that such issue is of a continuing nature, and promptly pays to the Lessee any amount previously paid or advanced by the Lessee with respect to such issue or the contest of such issue, provided that if there has been an adverse judicial decision with respect to such issue or related issue the Tax Indemnatee, in determining whether it will terminate the contest of such issue, shall afford the Lessee and its counsel a reasonable opportunity to discuss with such Tax Indemnatee the Lessee's interests with respect to such contest. If any Tax Indemnatee shall obtain a refund of all or any part of any Tax paid by the Lessee or with funds provided by the Lessee, such Tax Indemnatee shall pay the Lessee, net of any payments theretofore due to such Tax Indemnatee pursuant to this Section 7(c) but unpaid and any other payments theretofore due to such Tax Indemnatee under any of the Operative Documents but unpaid, an amount equal to the amount of such refund, including interest received attributable thereto, reduced by any Taxes incurred by such Tax Indemnatee or a related Tax Indemnatee by reason of the receipt or accrual of such refund and interest, and increased by any tax benefit realized by such Tax Indemnatee or a related Tax Indemnatee as a result of any payment by such Tax Indemnatee made pursuant to this sentence.

(5) Reports. If any report, return or statement is required to be filed with respect to any Tax that is a property tax (or a tax in the nature of a property tax) subject to indemnification under this Section 7(c), the Lessee shall timely file the same (except for any such report, return or statement which the Tax Indemnitee has notified the Lessee that the Tax Indemnitee intends to file, provided that such Tax Indemnitee shall have furnished the Lessee, at the Lessee's request and expense, with such information, not within the control of the Lessee, as is in such Tax Indemnitee's control and is reasonably available to such Tax Indemnitee and reasonably necessary to file such returns. The Lessee shall either file such report, return or statement so as to show the ownership of the Aircraft in the Owner Trustee and send a copy of such report, return or statement to the Tax Indemnitee, and the Owner Trustee if the Tax Indemnitee is not the Owner Trustee, or, where the Lessee is not permitted to so file, shall notify the Tax Indemnitee of such requirement and prepare and deliver such report, return or statement to the Tax Indemnitee in a manner satisfactory to such Tax Indemnitee within a reasonable time prior to the time such report, return or statement is to be filed. The Lessee shall also furnish promptly upon written request such data in its possession or otherwise reasonably available to it as any Tax Indemnitee may reasonably request to enable such Tax Indemnitee to comply with the requirements of any Taxing Authority. The Lessee shall hold each Tax Indemnitee harmless from and against the penalties, additions to tax and fines arising from any insufficiency or inaccuracy in any such report, return or statement or fairly attributable to the inaccuracy of any data supplied to any Tax Indemnitee by the Lessee, without regard to whether such penalties, additions to tax and fines are otherwise indemnifiable under this Section 7(c). If any report, return or statement is required to be filed with respect to any Tax (other than a property tax or a tax in the nature of a property tax) subject to indemnification under this Section 7(c), the Lessee will promptly notify the appropriate Tax Indemnitee upon the Lessee's obtaining actual knowledge of such requirement. If the Lessee receives written notice from a Taxing Authority of a Tax that is imposed upon a Tax Indemnitee but not indemnified against by the Lessee hereunder, the Lessee will forward a copy of such notice to such Tax Indemnitee.

(6) Payment. The Lessee shall pay any Tax for which it is liable pursuant to this Section 7(c), directly to the appropriate taxing authority or upon demand of a Tax Indemnatee to such Tax Indemnatee, within 30 Business Days of a written demand, but in no event prior to the date such Tax is due (including all extensions), or, in the case of Taxes which are being contested, the time such contest is finally resolved. Any such demand shall specify in reasonable detail the calculation to the payment and the facts upon which the right to payment is based. Each Tax Indemnatee shall promptly forward to the Lessee any notice, bill or advice received by it concerning any Tax which the Lessee may be required to indemnify against hereunder. Upon the written request of an appropriate Tax Indemnatee, the Lessee shall furnish such Tax Indemnatee the original or a certified copy of a receipt (if any is available to the Lessee) for the Lessee's payment of any Tax that is subject to indemnification pursuant to this Section 7(c), or such other evidence of payment of such Tax as is acceptable to such Tax Indemnatee (and available to the Lessee).

(7) Application of Payments During Existence of Event of Default. Any amount payable to the Lessee pursuant to the terms of this Section 7(c) shall not be paid to the Lessee if at the time such payment would otherwise be made an Event of Default or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing but shall be held by the Tax Indemnatee as security for the obligations of the Lessee under the Operative Documents and, if the Lessor declares the Lease to be in default pursuant to Section 15 thereof (or the Lease is deemed to be declared in default), applied against the Lessee's obligations under the Operative Documents as and when due, provided that no such amount shall be held as security for more than 180 days unless the Lessor or the Indenture Trustee shall be precluded by law or court order from exercising remedies under Section 15 of the Lease. At such time as there shall not be continuing any such Event of Default or other event or such 180-day period shall have elapsed, such amount shall be paid to the Lessee to the extent not previously applied in accordance with the preceding sentence.

(8) Forms, Etc. Each Tax Indemnatee agrees to furnish from time to time to the Lessee or to such other person as the Lessee may designate, at the Lessee's re-

quest in writing and expense, such duly executed and properly completed forms as may be necessary or appropriate in order to claim any reduction of or exemption from any withholding or other Tax imposed by any Taxing Authority which the Lessee may be required to indemnify against hereunder, if (x) such reduction or exemption is available to such Tax Indemnitee and (y) the Lessee has provided such Tax Indemnitee with any information necessary to complete such form not otherwise reasonably available to such Tax Indemnitee.

(9) Non-Parties. If a Tax Indemnitee is not a party to this Agreement, the Lessee may require the Tax Indemnitee to agree in writing, in a form reasonably acceptable to the Lessee, to the terms of this Section 7(c) prior to making any payment to such Tax Indemnitee under this Section 7(c).

(10) Verification. At the Lessee's request, the amount of any indemnity payment by the Lessee pursuant to this Section 7 or any payment by a Tax Indemnitee to the Lessee pursuant to this Section 7 shall be verified and certified by either the independent public accounting firm that audits the financial statements of such Tax Indemnitee (provided that such firm shall have its headquarters in the United States) or another independent public accounting firm selected by such Tax Indemnitee and reasonably satisfactory to the Lessee, provided that, in the case of any Loan Participant, the amount of any payment by such Loan Participant to the Lessee pursuant to this Section 7 shall be verified and certified by the independent public accounting firm that audits the financial statements of such Loan Participant. The fee of such independent public accounting firm shall be paid by the Lessee unless such verification shall disclose an error in such Tax Indemnitee's favor exceeding 10% of the amount of such payment determined by the Tax Indemnitee, in which case such fee shall be paid by such Tax Indemnitee. The Lessee will have no right to examine the tax returns of the Tax Indemnitee in connection with the verification procedure described in this Section 7(c)(10); each Tax Indemnitee agrees to cooperate with the independent public accounting firm performing the verification and to supply such firm with all information reasonably necessary to permit it to accomplish such verification, provided that the information provided to such firm by such Tax Indemnitee shall be for its confidential use.

(11) Definition. For purposes of this Section 7(c), "Tax Indemnitee" shall mean the Owner Participant, the Owner Trustee, in its individual capacity and as trustee, the Trust Estate, each Loan Participant, the Indenture Trustee, in its individual capacity and as trustee, and the Indenture Estate, and any reference to a Tax Indemnitee, the Owner Participant, the Owner Trustee, the Trust Estate, any Loan Participant, the Indenture Trustee or the Indenture Estate shall include its respective successors, permitted assigns, officers, directors, agents, servants and Affiliates and shall also include any member of the Affiliated Group of which such Tax Indemnitee, the Owner Participant, the Owner Trustee, the Trust Estate, such Loan Participant, the Indenture Trustee, or the Indenture Estate, as the case may be, is a member. For purposes of this Section 7(c), "Related Tax Indemnitee" shall mean (i) with respect to each of the Owner Participant, the Owner Trustee and the Trust Estate, such other Tax Indemnitees, and (ii) with respect to any Loan Participant, the Indenture Trustee and the Indenture Estate, such other Tax Indemnitees.

(12) Subrogation. Upon payment of any Tax by the Lessee pursuant to this Section 7(c) to or on behalf of a Tax Indemnitee, the Lessee, without any further action, shall be subrogated (unless a court of competent jurisdiction shall have entered a final judgment ordering the return of such payment to the Lessee) to any claims that such Tax Indemnitee may have relating thereto other than claims in respect of insurance policies maintained by such Tax Indemnitee at its own expense. Such Tax Indemnitee shall give such further reasonable assurances or agreements and cooperate with the Lessee to permit the Lessee to pursue such claims; provided that the Lessee shall reimburse such Tax Indemnitee for all reasonable out-of-pocket costs associated with such assurances, agreements or cooperation.

(d) Survival. The representations, warranties, indemnities and agreements of the Lessee provided for in this Section 7 and the Lessee's obligations under any and all thereof, and the obligations of any Indemnitee or Tax Indemnitee under this Section 7, shall survive the Owner Participant's and the Original Loan Participants making of their respective Commitments, the delivery of the Aircraft and the expiration or other termination of the Operative Documents.

(e) Payments; Interest. Any payments made pursuant to this Section 7 directly to an Indemnitee or a Tax Indemnitee or to the Lessee, as the case may be, shall be made in immediately available funds at such bank or to such account as is specified by the payee in written directions to the payor or, if no such directions shall have been given, by certified check of the payor payable to the order of the payee and mailed to the payee by certified mail, return receipt requested, postage prepaid to its address referred to in Section 15(c) of this Agreement (or, in the case of an Indemnitee or Tax Indemnitee that is not a party to this Agreement, to such address as shall have been furnished by it in writing to the Lessee). To the extent permitted by applicable law, interest at the Overdue Rate shall be paid, on demand, on any amount or indemnity not paid when due pursuant to this Section 7 until the same shall be paid. Such interest shall be paid in the same manner as the unpaid amount in respect of which such interest is due.

(f) Effect of Other Indemnities. The Lessee's obligations under the indemnities provided for in this Agreement shall be those of a primary obligor whether or not the Person indemnified shall also be indemnified with respect to the same matter under the terms of this Agreement, the Lease, the Trust Indenture, the Trust Agreement or any other document or instrument, and the Person seeking indemnification from the Lessee pursuant to any provisions of this Agreement may proceed directly against the Lessee without first seeking to enforce any other right of indemnification.

Section 8. Representations and Warranties. (a) The Owner Participant represents and warrants that neither it nor any Person authorized by it to act on its behalf has directly or indirectly offered any Certificates or any interest in and to the Trust Estate, the Trust Agreement, or any similar security for sale, or solicited any offer to acquire any of the same other than in a manner required or permitted by the Securities Act of 1933, as amended, and by the rules and regulations thereunder. The Owner Participant represents and warrants that its interest in and to the Trust Estate and the Trust Agreement is being acquired for its own account and it is being purchased for investment and not with a view to any resale or distribution thereof; provided, however, that such representation shall in no way limit the Owner Participant's right to transfer such interest pursuant to,

and in accordance with all the terms and conditions of, Section 16(c) hereof.

(b) The Lessee represents that neither it nor any Person authorized to act on its behalf has (i) directly or indirectly offered any interest in or to the Trust Estate or the Trust Agreement to, or solicited any offer to acquire any of the same from, anyone other than the Owner Participant and not more than 35 other institutional investors, (ii) directly or indirectly offered the Certificates for sale to, or solicited any offer to acquire any of the same from, anyone other than the Original Loan Participant and not more than 35 other institutional investors or (iii) offered any interest in the Trust Estate or any Certificate in a manner that would violate the Securities Act of 1933, as amended, the regulations thereunder or judicial or administrative interpretations thereof having the force of law.

(c) The Owner Trustee represents and warrants, both in its individual capacity and as trustee, that it has not directly or indirectly offered any Certificates or any interest in or to the Trust Estate, the Trust Agreement, or any similar security, for sale to, or solicited any offer to acquire any of the same from, anyone.

(d) The Indenture Trustee, in its individual capacity (except with respect to enforceability as set forth in clause (iii) below) and as trustee, represents and warrants that:

(i) it is a national banking association duly organized and validly existing and holding a valid certificate to do business as a national banking association with trust powers under the laws of the United States in good standing under the laws of the United States, is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration thereunder without the use of any voting trust agreement or similar arrangement, and will resign as Indenture Trustee promptly after an officer in its corporate trust department obtains actual knowledge that it has ceased to be such a citizen, and has the full corporate power, authority and legal right under the laws of the State of Georgia and the laws of the

United States pertaining to its banking, trust and fiduciary powers to execute, deliver and carry out the terms of each of the Operative Documents to which it is a party;

(ii) the execution, delivery and performance by the Indenture Trustee of each of the Operative Documents to which the Indenture Trustee is a party have been duly authorized by the Indenture Trustee and will not violate its articles of association or by-laws or the provisions of any indenture, mortgage, contract or other agreement or instrument to which it is a party or by which it is bound or by which its properties may be bound or affected; and

(iii) each Operative Document to which it is a party has been duly executed and delivered and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity.

(e) The Owner Trustee, in its individual capacity (except with respect to clauses (iii) and (v) below) and as Owner Trustee, represents and warrants that:

(i) the Owner Trustee, in its individual capacity, is a Delaware banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, has full corporate power and authority to carry on its business as now conducted and to enter into and perform its obligations hereunder and under the Trust Agreement and (assuming due authorization, execution and delivery of the Trust Agreement by the Owner Participant) has full power and authority, as Owner Trustee and/or, to the extent expressly provided herein or therein, in its individual capacity, to enter into and perform its obligations under each of the Operative Documents to which it is a party;

(ii) the Owner Trustee in its trust capacity and, to the extent expressly provided therein, in its individual capacity, has duly authorized, executed and delivered the Trust Agreement and (assuming the due authorization, execution and delivery of the

Trust Agreement by the Owner Participant) each of the other Operative Documents to which it is a party and the Certificates to be delivered on the Delivery Date for the Aircraft; and the Trust Agreement constitutes a legal, valid and binding obligation of the Owner Trustee, in its individual capacity, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(iii) assuming the due authorization, execution and delivery of the Trust Agreement by the Owner Participant, each of the Operative Documents (other than the Trust Agreement) to which it is a party constitutes, or when entered into will constitute, a legal, valid and binding obligation of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(iv) neither the execution and delivery by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of the Operative Documents to which it is or will be a party or the Certificates to be delivered on the Delivery Date for the Aircraft, nor the consummation by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or thereby, nor the compliance by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, with any of the terms and provisions hereof and thereof, (A) requires or will require any approval of its stockholders, or approval or consent of any trustees or holders of any indebtedness or obligations of it, or (B) violates or will violate its certificate of incorporation or by-laws, or contravenes or will contravene any provision of, or constitutes or will constitute a default under, or

results or will result in any breach of, or results or will result in the creation of any Lien (other than as permitted under the Lease) upon its property under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sale contract, bank loan or credit agreement, license or other agreement or instrument to which it is a party or by which it is bound, or contravenes or will contravene any law, governmental rule or regulation of the United States of America or the State of Delaware governing the banking or trust powers of the Owner Trustee, or any judgment or order applicable to or binding on it;

(v) there are no Taxes payable by the Owner Trustee, either in its individual capacity or as Owner Trustee, imposed by the State of Delaware or any political subdivision thereof in connection with the execution and delivery by the Owner Trustee in its individual capacity of the Trust Agreement, and, in its individual capacity or as Owner Trustee, as the case may be, of this Agreement, the other Operative Documents to which it is a party or the Certificates; and there are no Taxes payable by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, imposed by the State of Delaware or any political subdivision thereof in connection with the acquisition of its interest in the Aircraft (other than franchise or other taxes based on or measured by any fees or compensation received by the Owner Trustee for services rendered in connection with the transactions contemplated hereby);

(vi) there are no pending or threatened actions or proceedings against the Owner Trustee, either in its individual capacity or as Owner Trustee, before any court or administrative agency which, if determined adversely to it, would materially adversely affect the ability of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to perform its obligations under the Trust Agreement, the other Operative Documents to which it is a party or the Certificates;

(vii) both its chief executive office, and the place where its records concerning the Aircraft and all its interest in, to and under all documents relating to the Trust Estate, are located at Rodney

Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-1), and the Owner Trustee, in its individual capacity, agrees to give the Owner Participant, the Indenture Trustee and the Lessee at least 30 days' prior written notice of any relocation of said chief executive office or said place from its present location;

(viii) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any State of Delaware or local governmental authority or agency or any United States federal governmental authority or agency regulating the banking or trust powers of the Owner Trustee, in its individual capacity, is required for the execution and delivery of, or the carrying out by, the Owner Trustee in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or by the Trust Agreement or of any of the transactions contemplated by any other of the Operative Documents to which the Owner Trustee is or will be a party, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken;

(ix) on the Delivery Date, each of the Trust Estate and the Indenture Estate shall be free of any Lessor's Liens attributable to the Owner Trustee in its individual capacity;

(x) all funds received by the Owner Trustee from the Owner Participant pursuant to the Trust Agreement will be administered by it in accordance with Article IV of the Trust Agreement; and

(xi) it is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration thereunder (without making use of a voting trust agreement or a voting powers agreement).

(f) The Owner Participant represents and warrants that:

(i) the Owner Participant is a corporation duly organized and validly existing in good standing under

the laws of the State of Delaware and has the corporate power and authority to carry on its present business and operations, to own or lease its properties and to enter into and perform its obligations under this Agreement, the Tax Indemnity Agreement and the Trust Agreement, and this Agreement, the Tax Indemnity Agreement and the Trust Agreement have been duly authorized, executed and delivered by it and are legal, valid and binding on it and are enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general equity principles;

(ii) the execution and delivery by the Owner Participant of this Agreement, the Tax Indemnity Agreement and the Trust Agreement and compliance by it with all of the provisions thereof do not and on the Delivery Date will not contravene any law or any order of any court or governmental authority or agency applicable to or binding on it (it being understood that no representation or warranty is made with respect to laws, rules, or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee other than such laws, rules, or regulations relating to the citizenship requirements of the Owner Participant under applicable law) or contravene the provisions of, or constitute a default under, its articles of incorporation or by-laws or any indenture, mortgage, contract or any agreement or instrument to which it is a party or by which it or any of its property may be bound or affected;

(iii) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than as required by the Federal Aviation Act or the regulations promulgated thereunder) is required for the due execution, delivery or performance by it of this Agreement, the Tax Indemnity Agreement and the Trust Agreement;

(iv) the Trust Estate is free of Lessor's Liens attributable to it;

(v) it is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal

Aviation Administration thereunder (without making use of a voting trust agreement or a voting powers agreement);

(vi) there are no pending or threatened actions or proceedings before any court or administrative agency which would materially adversely affect its financial condition or its ability to perform its obligations under this Agreement, the Tax Indemnity Agreement or the Trust Agreement; and

(vii) no part of the funds to be used by it to make its investment pursuant to Section 1 constitutes assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA).

(g) The Original Loan Participant represents and warrants

that:

(i) the Certificates to be acquired by it pursuant to this Agreement and the Trust Indenture are being acquired by it for its own account and for investment and not with a view to any resale or distribution thereof, provided that the Original Loan Participant may sell, assign, pledge, or otherwise transfer or grant participations in all or any portion of such Certificates in accordance with all the terms and conditions of Sections 9(p) and 9(q) hereof, the Original Loan Participant hereby agreeing that (x) any such sale, assignment, pledge, transfer or grant of participation shall be made so as not to violate any applicable laws, including without limitation the Securities Act of 1933, as amended and the Trust Indenture Act of 1939, as amended, or any other applicable laws relating to the transfer of similar interests and (y) no such sale, assignment, pledge, transfer or grant of participation shall be made under circumstances that require registration under such Securities Act or qualification of an indenture under such Trust Indenture Act; and

(ii) no part of the funds to be used by it to make its investment pursuant to Section 1 constitutes assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or of any "plan" (as defined in Section 4975(e) of the Code).

## SECTION 9. Certain Covenants. (a) The Owner

Participant agrees promptly to pay or, if previously paid by the Lessee, to reimburse the Lessee for, (x) the initial fees of the Owner Trustee and the Indenture Trustee in connection with the transactions contemplated hereby and (y) all the reasonable out-of-pocket costs and expenses incurred by the Indenture Trustee, the Owner Trustee, the Owner Participant and the Original Loan Participant in connection with the negotiation, preparation, execution and delivery of this Agreement, the other Operative Documents and any other documents or instruments referred to herein or therein, including, without limitation,

(i) the reasonable fees, expenses and disbursements of (A) King & Spalding, special counsel for the Original Loan Participant, (B) Powell, Goldstein, Frazer & Murphy, special counsel for the Indenture Trustee, (C) Potter Anderson & Corroon, special counsel for the Owner Trustee, and (D) Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma;

(ii) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant;

(iii) the reasonable fees, expenses and disbursements of Debevoise & Plimpton, special counsel for the Lessee, and the fees and expenses of Babcock & Brown, the Lessee's financial advisor, in amounts separately agreed; and

(iv) all other reasonable expenses incurred in connection with such actions and transactions, including, without limitation, the fees and expenses of one (but only one) aircraft appraiser in respect of the appraisal referred to in Section 4, printing and document production or reproduction expenses and all fees, taxes and other charges payable in connection with the recording or filing of the instruments and financing statements described in this Agreement.

Each of the Owner Trustee, the Lessee, the Original Loan Participant and the Indenture Trustee shall promptly submit to the Owner Participant copies of the invoices in respect of the foregoing transaction costs as they are received, and in all events not later than Decem-

ber 31, 1992. The Owner Participant prior to the payment thereof will send copies of any invoices received by it with respect to any of the foregoing fees, expenses and disbursements constituting transaction costs to the Lessee for the Lessee's review and approval, such approval not to be unreasonably withheld or delayed.

In the event that the transactions contemplated by this Agreement and the agreements referred to herein are not consummated, the Lessee shall bear and pay all costs, expenses and fees referred to above; provided that if the transaction fails to be consummated as a result of failure of the Owner Participant to act in good faith in consummating the transactions, or to fulfill its funding obligations or otherwise to comply with the terms hereof or thereof, the Owner Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid.

(b) The Owner Participant covenants that if (i) it ceases to be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and (ii) either (A) the Aircraft shall or would thereupon become ineligible for registration in the name of the Owner Trustee under the Federal Aviation Act as in effect at such time, or under the law of the current jurisdiction of registry of the Aircraft, as the case may be, and the regulations then applicable thereunder, or (B) the Aircraft is registered in a jurisdiction other than the United States in circumstances in which clause (A) does not apply and the Lessee at any time proposes to register the Aircraft within four months in any jurisdiction to which clause (A) would apply upon such reregistration, then the Owner Participant at its own expense shall promptly (and, in any event, within a period of 30 days) either transfer, pursuant to Article VIII of the Trust Agreement and Section 16(c) hereof, such of its right, title and interest in and to the Trust Agreement, the Trust Estate, and this Agreement, or take such other action, as may be necessary to prevent any deregistration of the Aircraft or to make possible its registration in the United States. Each party hereto agrees to take such steps, at the Owner Participant's expense, as the Owner Participant shall reasonably request in order to assist the Owner Participant in complying with its obligations under this Section 9(b). The Owner Participant hereby

agrees to indemnify the Lessee, the Indenture Trustee and each Loan Participant against any and all losses, liabilities and expenses incurred by the Lessee, the Indenture Trustee or any Loan Participant to the extent that any such losses, liabilities or expenses are caused by the Aircraft's so becoming ineligible or ceasing to remain eligible for such registration.

(c) The Owner Trustee in its individual capacity covenants that if at any time it shall cease to be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act, it will resign immediately as Owner Trustee (if and so long as such citizenship is necessary under the Federal Aviation Act, or the law of the current jurisdiction of the registry of the Aircraft, as the case may be, as in effect at such time or, if it is not necessary, if and so long as the Owner Trustee's citizenship (in its individual capacity) would have any adverse effect on the Lessee or any Loan Participant). The Owner Trustee in its individual capacity hereby unconditionally agrees with and for the benefit of the parties to this Agreement that the Owner Trustee in its individual capacity will not directly or indirectly create, incur, assume or suffer to exist any Lessor's Liens on or against any part of the Trust Estate, the Indenture Estate or the Aircraft arising out of any act or omission of or claim against or affecting the Owner Trustee in its individual capacity, and the Owner Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full (i) all Lessor's Liens attributable to the Owner Trustee in its individual capacity and (ii) any other Liens attributable to the Owner Trustee in its individual capacity on any part of the Trust Estate or the Indenture Estate which result from claims against the Owner Trustee in its individual capacity not related to the ownership of the Aircraft, the administration of the Trust Estate or the Indenture Estate or the transactions contemplated by the Operative Documents. The Owner Trustee, in its individual capacity, hereby agrees to indemnify and hold harmless the Lessee, the Indenture Trustee and each Participant from and against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as a result of the failure of the Owner Trustee to discharge and satisfy any such Lessor's Lien or other lien or encumbrance.

(d) Each of the Owner Participant and the Owner Trustee (in its individual capacity and as Owner Trustee) agrees with the Lessee, the Indenture Trustee and each Loan Participant that it will comply with all of the terms of the Trust Agreement (as the same may hereafter be amended or supplemented from time to time in accordance with the terms thereof) applicable to it in its respective capacity, the noncompliance with which would adversely affect any such party and shall not take any action, or cause any action to be taken, which would amend, modify or supplement any provision of the Trust Agreement in a manner adversely affecting any such party without the prior written consent of such party, which consent shall not be unreasonably withheld. The Owner Trustee confirms for the benefit of the Lessee, the Indenture Trustee and each Loan Participant that it will comply with the provisions of Article IV of the Trust Agreement. The Owner Participant agrees not to terminate or revoke the trust created by the Trust Agreement without the prior written consent of the Lessee and (so long as the Trust Indenture shall not have been discharged) the Indenture Trustee and the Loan Participant, which consent shall not be unreasonably withheld. The Owner Participant further agrees not to remove the institution acting as Owner Trustee, and not to replace the institution acting as Owner Trustee in the event that such institution resigns as Owner Trustee, unless the Owner Participant shall have consulted in good faith with the Lessee, the Indenture Trustee and the Original Loan Participant prior to such removal or replacement as to the identity, location and fee schedules of the proposed successor trustee, provided that (i) the Owner Participant shall retain the right, notwithstanding any such consultation, to act in its sole discretion (provided that the Owner Participant shall not choose a replacement Owner Trustee which, in the good faith opinion of the Lessee, may result in additional liability to the Lessee pursuant to Section 7(c) hereof, except in the case of a mandatory or voluntary resignation of the Owner Trustee where the Lessee has not proposed an alternative Owner Trustee which is reasonably satisfactory to the Owner Participant) and (ii) no such consultation shall be required if an Event of Default shall have occurred and be continuing. So long as no Event of Default shall occur and be continuing, the Owner Trustee and the Owner Participant agree that no co-trustee or separate trustee

shall be appointed pursuant to Section 9.02 of the Trust Agreement without the Lessee's and the Original Loan Participant's prior written consent, such consent not to be unreasonably withheld. The Owner Participant agrees that if, at any time, so long as no Event of Default has occurred and is continuing, the Lessee certifies that the Lessee has, or in the good faith opinion of the Lessee will, become obligated to pay an amount pursuant to Section 7(c) hereof and the amount that has or will become payable would be reduced or eliminated if the situs of the Trust Estate were changed and if, as a consequence thereof, the Lessee should request that the situs of the trust be moved to another state in the United States from the state in which it is then located, the Owner Participant shall direct such change in situs of the Trust Estate as may be specified in writing by the Lessee and the Owner Participant will take whatever action as may be reasonably necessary to accomplish such change; provided that the Lessee shall provide such additional indemnification for Taxes imposed by the jurisdiction to which the Trust Estate is to be moved as the Owner Participant may reasonably request. The Indenture Trustee shall execute such documents and take such action as may be necessary to effect such change in the situs of the Trust Estate; provided that the Lien created by the Indenture shall continue to be perfected.

(e) So long as no Event of Default has occurred and is continuing, the Owner Trustee shall promptly pay to the Lessee any amounts received by it in respect of Break Funding Gain under Section 2.17 of the Trust Indenture (other than any Break Funding Gain payable with respect to the Certificates as a result of (A) any prepayment of the Certificates or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (B) an Indenture Default that does not also constitute an Event of Default, it being agreed that any such Break Funding Gain shall be for the account of the Owner Participant); provided that if any such amount has been so held by the Owner Trustee as security for more than 90 days after an Event of Default shall have occurred and during which period (x) the Owner Trustee shall not have been limited by operation of law or otherwise from exercising remedies under the Lease or (y) the Owner Trustee shall not have commenced to exercise any remedy available to it under Section 15 of the Lease, then the

Owner Trustee shall promptly pay such amount to the Lessee.

(f) The Owner Participant agrees that, in the event of the termination of the Lease pursuant to Section 9 thereof, the Owner Participant will pay any fees and commissions of any broker or finder appointed by the Owner Trustee or the Owner Participant, or any fees and commissions payable to the Lessee pursuant to such Section 9, in connection with the sale of the Aircraft. In addition, the Owner Participant agrees to pay or cause to be paid to the Owner Trustee such amounts as may be necessary to enable the Owner Trustee to pay any amounts to the Lessee pursuant to Section 9 or 15 of the Lease as a rebate of any Basic Rent theretofore paid under the Lease.

(g) Each Loan Participant hereby unconditionally agrees to perform its respective obligations under the Trust Indenture (including, without limitation, those contained in Sections 2.17 and 2.18 of the Trust Indenture) as though such obligations were fully set forth herein.

(h) The Owner Trustee, in its capacity as Owner Trustee, will not incur any indebtedness for money borrowed, or enter into any business or other activity, except as contemplated hereby and by the other Operative Documents.

(i) The Indenture Trustee in its individual capacity hereby unconditionally agrees with and for the benefit of the parties to this Agreement that the Indenture Trustee in its individual capacity or as Indenture Trustee will not directly or indirectly create, incur, assume or suffer to exist any Liens on or against any part of the Trust Estate, the Indenture Estate or Aircraft arising out of any act or omission of or claim against the Indenture Trustee in its individual capacity, and the Indenture Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary duly to discharge and satisfy in full (i) all such Liens attributable to the Indenture Trustee in its individual capacity and (ii) any other liens or encumbrances attributable to the Indenture Trustee in its individual capacity on any part of the Trust Estate or the Indenture Estate which result from claims against the Indenture Trustee in its individual capacity not related to the administration of the Indenture Estate. The Indenture Trustee hereby agrees to indemnify and hold

harmless the Lessee, the Owner Trustee and each Participant from and against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as a result of the failure of the Indenture Trustee to discharge and satisfy any such Lien or such other lien or encumbrance.

(j) The Owner Trustee agrees that any profit, income, interest, dividend or gain realized upon the maturity, sale or other disposition of any Permitted Investment made by the Indenture Trustee pursuant to Section 3.07(b) of the Trust Indenture, and paid to the Lessee on behalf of the Owner Trustee by the Indenture Trustee in accordance with the terms of such Section 3.07(b), shall be entirely for the account of, and the sole property of, the Lessee who, for such purposes, shall not be deemed to be acting as agent of the Owner Trustee, and the Lessee shall have no obligation to pay over such income, interest, dividend or gain to the Owner Trustee.

(k) Each of the Indenture Trustee and each Loan Participant, by its acceptance of a Certificate, hereby irrevocably agree, to the maximum extent permitted by law, that, in any case in which any Person (other than the Lessee alone) is the debtor or one of the debtors under the Bankruptcy Code, each of the Indenture Trustee and each Loan Participant shall be deemed to have made a timely election pursuant to Section 1111(b)(1)(A)(i) of the Bankruptcy Code (or any substantively comparable provision which is the successor thereto) as to the Indenture Estate (which is acknowledged and agreed not to include Excepted Property).

(l) [intentionally omitted].

(m) Each of the Owner Participant and the Owner Trustee hereby agrees, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; provided that prior to any such change in the country of registry of the Aircraft (other than a change in the country of registry that results in the registration of the Aircraft under the laws of the United States of America), the Owner Participant, the Owner Trustee,

the Indenture Trustee and the Loan Participants shall have received from counsel to the Lessee reasonably satisfactory to the Owner Participant, the Owner Trustee, the Indenture Trustee and the Loan Participants an opinion to the effect that (i) the terms of any relevant sublease and the Lease are legal, valid, binding and enforceable in such country to substantially the same extent as such documents are at that time enforceable in the United States, (ii) there is no statutory, regulatory or case law in such country imposing tort liability on the owner of an aircraft not in possession thereof, or on a lender providing funds for the purchase of an aircraft, under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such an owner or lender under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Owner Participant, such opinion shall be waived if insurance reasonably satisfactory to the Owner Participant is provided by the Lessee to cover the risk of such liability), (iii) such re-registration will not result in the imposition by such country of any Taxes on the Owner Trustee, the Owner Participant, the Indenture Trustee or any Loan Participant for which the Lessee is not required to indemnify the Owner Participant, the Owner Trustee, the Indenture Trustee or any Loan Participant, as the case may be (provided that in lieu of the opinion referred to in this clause (iii) the Lessee may indemnify the Owner Participant, the Owner Trustee or the Loan Participants, as the case may be, for any Taxes imposed by such country in connection with or relating to the transactions contemplated by the Operative Documents which would not have been imposed but for such re-registration); (iv) there exist no possessory rights in favor of the Lessee or any sublessee under the laws of such country which would, upon bankruptcy of or other default by the Lessee or any sublessee, prevent the return of the Aircraft to the Owner Trustee in accordance with and when permitted by the terms of Sections 14 and 15(a) of the Lease upon the exercise by the Owner Trustee of its remedies under Section 15(a) of the Lease; (v) it is not necessary for the Owner Participant or the Owner Trustee to qualify to do business in such jurisdiction solely as a result of the proposed re-registration; (vi) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Lessee shall have provided contemporaneously with such re-registration insurance reasonably satisfactory to the Lessor and the Owner Participant covering the risk of requisition of use of the Aircraft by

the government of such country so long as the Aircraft is registered under the laws of such country); and (vii) the Lessee shall have paid or made provision for the payment of all expenses of the Owner Participant, the Owner Trustee and the Loan Participants in connection with such change in registration; and provided, further, that (x) the Owner Trustee, the Owner Participant and the Loan Participants shall have received prior to or contemporaneously with such re-registration (1) a certificate of insurance signed by an independent insurance broker to the effect that the Aircraft is and after such re-registration will continue to be insured in such country in accordance with the requirements of Section 11 of the Lease, (2) a certificate signed by a duly authorized officer of the Lessee stating that no Event of Default exists as of the date of such certificate and no Event of Default will occur or exist upon or resulting from such re-registration, (3) evidence and assurances reasonably satisfactory to such parties, that the aircraft and engine maintenance standards under the laws of such country of reregistration are substantially similar to those required by the central civil aviation authority of any of the United States, the United Kingdom, the Federal Republic of Germany, France, Canada or Japan, and (4) in the case of the Owner Participant only, assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have agreed to provide the requisition insurance described in clause (vi) above) and (y) the Lessee shall not cause the Aircraft to be registered pursuant to Section 7(a)(i) of the Lease under the laws of any foreign jurisdiction without the prior written consent of the Owner Participant if (1) the civil aviation laws of such foreign jurisdiction impose unusual requirements on registrants of civil aircraft, and (2) the Owner Participant would be required to comply with such unusual requirements upon the registration of the Aircraft in such foreign jurisdiction, and the Owner Participant's compliance therewith would result in a material burden on the Owner Participant's business activities.

(n) Each of the Indenture Trustee and each Loan Participant hereby agrees, subject to the terms of Section 7(m) hereof, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease.

(o) The Indenture Trustee hereby agrees to give the Lessee notice (the "Notice") not later than the date that is 5 Business Days prior to January 1 of each year in which the Indenture shall be in effect, commencing on December 24, 1992, whether (x) there are any undistributed funds held in either the Trust Estate or the Indenture Estate, except such funds as shall be invested in those types of obligations or evidences of debt as are described in Section 48-6-22(1), O.C.G.A., i.e., obligations or evidences of debt of the United States, including obligations of the United States government agencies and corporations established by acts of the Congress of the United States, and obligations or evidences of debt of the State of Georgia or its political subdivisions or public institutions, including industrial development revenue bonds issued pursuant to the laws of the State of Georgia, (y) there are receivables then due and owing to the Indenture Estate and unpaid, or (z) the Indenture Estate or the Indenture Trustee holds legal title to any intangible personal property not expressly contemplated by the Operative Documents other than intangible personal property which is exempt from taxation under the provisions of Section 48-6-22, O.C.G.A., and, if the Notice would on any date thereafter and prior to such January 1 be untrue, immediately to so notify the Lessee.

(p) Except to the extent provided in the following sentence and in Section 9(q) hereof and except for a purchase of the Loan Certificates pursuant to Section 2.13 of the Trust Indenture, each Loan Participant agrees that it will not sell, assign, pledge or otherwise transfer all or any portion of any Certificate or the indebtedness evidenced thereby without the prior written consent of the Lessee, which consent shall not be unreasonably withheld, provided that under no circumstances may any such sale, assignment, pledge or transfer (other than a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture) be made to any Person not meeting the requirements set forth in clause (c) of the definition of Permitted Transferee. Notwithstanding the foregoing, each Loan Participant may sell, assign, pledge or otherwise transfer all or any portion of any of its Certificates or the indebtedness evidenced thereby to a Permitted Transferee without such consent, provided that such sale, assignment, pledge or transfer does not violate any applicable laws and such Loan Participant and such Permitted Transferee shall have executed and delivered a transfer agreement in the form attached as Exhibit XII

hereto, and provided, further, that no Loan Participant may grant participations in any Loan Certificate or Certificates unless such grant shall be made in accordance with Section 9(q). Each Loan Participant hereby agrees that (x) any such sale, assignment, pledge, transfer or grant of participation shall be made in accordance with this Section 9(p) or Section 9(q), as the case may be, and so as not to violate any applicable laws, including without limitation the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, and any other applicable laws relating to the transfer of similar interests and (y) no such sale, assignment, pledge, transfer or grant of participation shall be made under circumstances that require registration under such Securities Act or qualification of an indenture under such Trust Indenture Act.

(q) Each Loan Participant agrees that it will not grant participations (including, without limitation, "risk participations") in or to all or a portion of its rights and obligations in respect of the Certificates and any amounts from time to time payable to it in respect thereof, unless (A) in the case of each such participation, such participation is made to a Permitted Transferee, (B) such Loan Participant's obligations under the Operative Documents shall remain unchanged, including, without limitation, under Section 2.13 of the Trust Indenture, (C) such Loan Participant shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (D) such Loan Participant shall remain the Holder of its Loan Certificates, and the other parties to the Operative Documents shall continue to deal solely and directly with such Loan Participant in connection with its Loan Certificates and the Loan Participant's rights and obligations under the Operative Documents. The liability of the Owner Trustee in respect of increased costs, Break Amount and taxes under Section 2.17 or 2.18 of the Trust Indenture, and the liability of the Lessee under Section 7(c) hereof in respect of amounts payable directly to the Loan Participants, shall not, as a result of any participation granted by any Loan Participant, exceed what would have been its liability thereunder if such Loan Participant had not granted any such participation. Each Loan Participant may, in connection with any participation or proposed participation pursuant to this Section 9(q), disclose to the participant or proposed participant any information relating to the Operative Documents or to the parties

thereto furnished to such Loan Participant thereunder or in connection therewith and permitted to be disclosed by such Loan Participant; provided, however, that prior to any such disclosure, the participant or proposed participant shall agree in writing for the benefit of the Owner Participant and the Lessee to preserve the confidentiality of any confidential information included therein.

(r) NationsBank of Georgia, National Association, hereby agrees that it will perform all of its administrative duties under this Agreement and the other Operative Documents (whether in its individual capacity or as Indenture Trustee) solely in the State of Georgia, except to the extent necessary to exercise any of its rights or remedies to the extent permitted by applicable laws in connection with an Indenture Event of Default, an Indenture Default, an Event of Default or an event that with notice or lapse of time or both would become an Event of Default.

Section 10. Other Documents. The Owner Participant agrees to comply with all of the terms of the Trust Agreement (as the same may hereafter be amended from time to time in accordance with the terms thereof) applicable to it and with Sections 7, 9, 11 and 12 of the Lease.

SECTION 11. Conditions Precedent to the Lessee's Obligations. (a) The Lessee's obligation to sell the Aircraft to the Owner Trustee and to lease the Aircraft on the Delivery Date is subject to the fulfillment to the satisfaction of the Lessee prior to or on the Delivery Date of the following conditions precedent, which fulfillment to the satisfaction of the Lessee shall be evidenced by acceptance of the Aircraft by the Lessee under the Lease:

(i) the documents referred to in clauses (i) through (xi) of Section 4(E) shall have been duly authorized, executed and delivered by the respective party or parties thereto (other than the Lessee), shall be in full force and effect and copies thereof shall have been delivered to the Lessee, and the Lessee shall have received such documents and evidence with respect to the Owner Participant, the Owner Trustee and the Indenture Trustee as the Lessee may reasonably request in order to establish the consummation of the transactions contemplated by this

Agreement, the taking of all corporate and other proceedings in connection therewith and compliance with the conditions herein or therein set forth;

(ii) the Owner Trustee shall have whatever title was conveyed to it by the Lessee pursuant to the Bills of Sale (subject to filing and recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens, except Liens permitted by the terms of the Lease, the lien of, and security interest created by, the Trust Indenture and the beneficial interest of the Owner Participant created by the Trust Agreement and the Trust Agreement and Indenture Supplement covering the Aircraft, the rights of the Owner Trustee as registered owner with the Federal Aviation Administration and the rights of the Lessee under the Lease and the Lease Supplement covering the Aircraft;

(iii) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall have been duly filed for recordation (or shall be in the process of being so duly filed for recordation) with the Federal Aviation Administration pursuant to the Federal Aviation Act;

(iv) application for registration of the Aircraft in the name of the Owner Trustee shall have been duly made with the Federal Aviation Administration and the Lessee shall have authority to operate the Aircraft;

(v) on the Delivery Date the representations and warranties of the Original Loan Participant, the Owner Participant and the Owner Trustee contained in Section 8 hereof and the representations and warranties of the Owner Trustee contained in Section 4 of the Lease shall be correct as though made on and as of such date, or if such representations and warranties relate solely to an earlier date, as of such earlier date, and each of such parties shall have so certified to the Lessee;

(vi) the Lessee shall have received each opinion referred to in paragraphs (K) through (O) of Section 4 (other than the opinion of King & Spalding, referred to in clause (M)(y) of Section 4), each such opinion addressed to the Lessee or accompanied by a letter from the counsel rendering such opinion authorizing the Lessee to rely on such opinion as if it were addressed to the Lessee, and the certificates referred to in paragraphs (Q), (R) and (S) of Section 4;

(vii) in the event of a Change in Tax Law which has occurred since the date of execution hereof, any proposed adjustment to the payments of Basic Rent pursuant to Section 3(e) of the Lease and Section 18 hereof shall not have resulted in an increase in the present value of all payments of Basic Rent which in Lessee's sole judgment shall have caused the transaction to be uneconomic; and

(viii) no change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that would make it illegal for the Lessee to enter into any transaction contemplated by the Operative Documents.

Notwithstanding any of the foregoing, the Lessee's performance under this Agreement shall not be subject to the satisfaction of any condition within its control or any condition which may have been satisfied by the performance of the Lessee hereunder.

(b) In the event that (i) the foregoing conditions precedent shall not have been fulfilled on or prior to the Delivery Date (or waived by the Lessee) as provided above, or (ii) either the Owner Participant or the Original Loan Participant shall not have delivered its Commitment to the Owner Trustee on the Delivery Date notwithstanding the satisfaction of the conditions (other than those within the control of the Owner Participant or the Original Loan Participant, as applicable) set forth in Section 4 hereof, if the Lessee so elects, this Agreement, the Lease, the Tax Indemnity Agreement and the Purchase Agreement Assignment shall thereupon terminate and be of no further force and effect, except to the extent other-

wise provided herein or therein. Promptly following the termination of this Agreement, the Lessee shall notify the other parties hereto in writing of such termination.

SECTION 12. Liabilities of the Owner Participant and the Loan Participants. Neither the Owner Participant nor any Loan Participant shall have any obligation or duty to the Lessee with respect to the transactions contemplated hereby except those obligations or duties expressly set forth in this Agreement or, in the case of the Owner Participant, the Tax Indemnity Agreement. Without limiting the generality of the foregoing, under no circumstances whatsoever shall the Owner Participant, as such, or any Loan Participant, as such, be liable to the Lessee for any action or inaction on the part of the Owner Trustee or the Indenture Trustee in connection with the Trust Indenture, the Trust Agreement, the Lease, the Aircraft, the administration of the Trust Estate or the Indenture Estate or otherwise, whether or not such action or inaction is caused by the willful misconduct or gross negligence of the Owner Trustee or the Indenture Trustee unless such action or inaction is at the direction of the Owner Participant (in the case of action or inaction on the part of the Owner Trustee) or such Loan Participant (in the case of action or inaction on the part of the Indenture Trustee).

SECTION 13. Certain Covenants of the Lessee. The Lessee covenants and agrees with the Owner Participant, each Loan Participant, the Indenture Trustee and the Owner Trustee as follows:

(A) Upon the delivery and acceptance of the Aircraft under the Lease, the Lessee will cause to be done, executed, acknowledged and delivered all and every such further acts, conveyances and assurances as the Owner Trustee, the Owner Participant, the Original Loan Participant or the Indenture Trustee shall require for accomplishing the purposes of this Agreement and the other Operative Documents. The Lessee forthwith upon delivery of the Aircraft under the Lease shall cause the Aircraft to be duly registered and at all times thereafter to remain duly registered, in the name of the Owner Trustee, except as otherwise required or permitted hereunder or under the Lease, under the Federal Aviation Act, or shall furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to make

application for such registration, and shall promptly furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to timely file any reports required to be filed by it as the Lessor under the Lease or as the owner of the Aircraft with any governmental authority because of the Owner Trustee's ownership of the Aircraft.

(B) The Lessee will cause the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft to be promptly filed and recorded, or filed for recording, to the extent permitted under the Federal Aviation Act, and the rules and regulations of the Federal Aviation Administration thereunder, or required under any other applicable law. Upon the execution and delivery of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall be filed for recording with the Federal Aviation Administration in the following order of priority: first, the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, second, the Lease, to be effected by so filing the Lease with such Lease Supplement, the Trust Indenture and such Trust Agreement and Indenture Supplement attached thereto, and third, the Trust Indenture and the Trust Agreement, to be effected by so filing the Trust Indenture with such Trust Agreement and Indenture Supplement, such Lease Supplement and the Trust Agreement attached thereto. The Lessee shall, upon request from any of the parties hereto, provide photocopies of the file-stamped copies of all documents filed or recorded with the FAA.

(C) The Lessee will furnish to the Owner Trustee and the Indenture Trustee annually after the execution hereof (but not later than March 15th of each year), commencing with the year 1993, an opinion of Crowe & Dunlevy, P.C., or other counsel reasonably

acceptable to the Owner Trustee and the Indenture Trustee, stating either:

(i) that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and re-filing of the Lease, the Trust Indenture, the Trust Agreement and any supplements thereto, including any financing or continuation statements, and such other filings and recordings as is necessary to maintain, for the 15-month period succeeding the date of such opinion, the rights and interests of the Owner Trustee in and to the Aircraft, and, with respect to the Trust Indenture, the perfection of the security interests created thereby and reciting the details of such action; or

(ii) that in the opinion of such counsel no such action is necessary to maintain, for the 15-month period succeeding the date of such opinion, the perfection of such rights and interests and security interests.

(D) The Lessee shall at all times maintain its corporate existence except as permitted by Section 13(E) hereof. The Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its rights (charter and statutory) and franchises; provided, however, that the Lessee shall not be required to preserve any right or franchise if its Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Lessee. The Lessee shall, for so long as and to the extent required under Section 1110 of the Bankruptcy Code in order that the Owner Trustee and the Indenture Trustee be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the right to repossess the Airframe, Engines and Parts as provided in the Lease, remain an "air carrier" within the meaning of Section 101(16) of the Federal Aviation Act.

(E) The Lessee shall not consolidate with or merge into any other corporation or convey, transfer or lease substantially all of its assets as an entirety to any Person, unless:

(i) the corporation formed by such consolidation or into which the Lessee is merged or the Person which acquires by conveyance, transfer or lease substantially all of the assets of the Lessee as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, and shall execute and deliver to the Owner Trustee, the Owner Participant, and the Indenture Trustee an agreement in form reasonably satisfactory to each thereof containing the assumption by such successor corporation of the due and punctual performance and observance of each covenant and condition of this Agreement, the Lease, the Purchase Agreement Assignment and the Tax Indemnity Agreement, and each other Operative Document to which the Lessee is a party, to be performed or observed by the Lessee;

(ii) immediately after giving effect to such transaction, no Event of Default under the Lease, and no event which, after notice or lapse of time, or both, would become such an Event of Default, shall have occurred and be continuing; and

(iii) the Lessee shall have delivered to the Owner Trustee, the Owner Participant and the Indenture Trustee a certificate signed by a Responsible Officer of the Lessee, and an opinion of counsel to the Lessee (which may be Lessee's General Counsel), each stating that such consolidation, merger, conveyance, transfer or lease and the assumption agreement mentioned in clause (i) comply with this Section 13(E) and that all conditions precedent herein provided for relating to such transaction have been complied with (except that such opinion need not cover the matters referred to in clause (ii) above and may rely, as to factual matters, on a certificate of an officer of the Lessee) and, in the case of such opinion, that such assumption agreement has been duly authorized, executed and delivered by such successor corporation and is enforceable against such successor corporation

in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity.

Upon any consolidation or merger, or any conveyance, transfer or lease of substantially all of the assets of the Lessee as an entirety in accordance with this Section 13(E), the successor corporation formed by such consolidation or into which the Lessee is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Lessee under this Agreement and the other Operative Documents with the same effect as if such successor corporation had been named as the Lessee herein. No such conveyance, transfer or lease of substantially all of the assets of the Lessee as an entirety shall have the effect of releasing the Lessee or any successor corporation which shall theretofore have become such in the manner prescribed in this Section 13(E) from its liability hereunder. Nothing contained herein shall permit any lease, sublease or other arrangement for the use, operation or possession of the Aircraft except in compliance with the applicable provisions of the Lease.

(F) The provisions of the penultimate paragraph of Section 3(b) and Sections 3(c), 17 and 22 of the Lease are hereby incorporated by reference herein for the express benefit of each Loan Participant. The Lessee shall notify the Indenture Trustee and the Owner Trustee thirty days prior to any change in the location of the chief executive office of the Lessee. In the event the Aircraft is requisitioned for use by the Government pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv) of the Lease, the Lessee shall provide the Owner Trustee and the Indenture Trustee with the name and address of the Contracting Office Representative for the Military Airlift Command of the United States Air Force for notification as required under Section 15 of the Lease.

SECTION 14. Owner for Tax Purposes. It is hereby agreed among the Lessee, the Owner Trustee and the Owner Participant that for Federal income tax purposes

during the Term the Owner Participant will be the owner of the Aircraft and the Lessee will be the lessee thereof. Nothing contained in this Section 14 shall be construed to limit Lessee's use and operation of the Aircraft under the Lease or constitute a representation by the Lessee as to tax consequences.

SECTION 15. Certain Definitions; Notices. (a) The following terms, when used in capitalized form, have the following meanings (and such meanings shall be equally applicable to both the singular and the plural forms of the terms herein defined):

"Affiliated Group" means an affiliated group of corporations, within the meaning of Section 1504 of the Code, filing or that will file a consolidated Federal income tax return.

"After-Tax Basis" means, with respect to any payment received or accrued by any Person, the amount of such payment supplemented by a further payment or payments (which shall be payable either simultaneously or, in the event that Taxes resulting from the receipt or accrual of such payment are not payable in the year of receipt or accrual, at the time or times such Taxes become payable) so that the sum of all such payments, after deduction of all Taxes (after taking into account any credits or deductions or other Tax benefits arising therefrom and from the underlying payment, to the extent such are currently utilized) resulting from the receipt or accrual of such payments (whether or not such Taxes are payable in the year of receipt or accrual) imposed by any Taxing Authority, shall be equal to the payment received or accrued.

"American" shall have the meaning set forth in the first paragraph hereof.

"Applicable Jurisdiction" shall have the meaning set forth in the definition of "Permitted Transferee" below.

"Bankruptcy Code" shall have the meaning set forth in the Trust Indenture.

"Bills of Sale" shall have the meaning set forth in Section 4(E)(x) hereof.

"Break Funding Gain" shall have the meaning set forth in the Trust Indenture.

"Claim" shall have the meaning set forth in Section 7(b) hereof.

"Commitment" shall have the meaning set forth in Section 1 hereof.

"Debt Rate" shall have the meaning set forth in the Trust Indenture.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Excess Payment Amount" shall have the meaning set forth in Section 16(a) hereof.

"Excess Payment Differential Amount" shall have the meaning set forth in Section 16(a) hereof.

"FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(ix) hereof.

"Foreign Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Indemnitee" shall have the meaning set forth in Section 7(b) hereof.

"Indenture" or "Trust Indenture" shall have the meaning set forth in the recitals hereof.

"Indenture Default" shall have the meaning set forth in the Trust Indenture.

"Indenture Trustee" shall have the meaning set forth in the first paragraph hereof.

"Interest Payment Date" shall have the meaning set forth in the Trust Indenture.

"Interest Period" shall have the meaning set forth in the Trust Indenture.

"Lease" shall have the meaning set forth in the recitals hereof.

"Lessee" shall have the meaning set forth in the first paragraph hereof.

"LIBOR Loan" shall have the meaning set forth in the Trust Indenture.

"LIBOR Rate" shall have the meaning set forth in the Trust Indenture.

"London Business Day" shall mean any day in which normal dealings in dollar deposits in the London interbank market are carried on.

"Loss" shall have the meaning set forth in the Tax Indemnity Agreement.

"Majority in Interest of Certificate Holders" shall have the meaning set forth in the Trust Indenture.

"Manufacturer's FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(viii) hereof.

"Manufacturer's Subsidiary" shall have the meaning set forth in the recitals hereof.

"Manufacturer's Subsidiary's FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(vii) hereof.

"New York Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York.

"Operative Documents" means this Agreement, the Lease, the Lease Supplement, the Trust Indenture, the Purchase Agreement Assignment, the Tax Indemnity Agreement, the Trust Agreement and the Trust Agreement and Indenture Supplement.

"Original After-Tax Yield" shall mean the after-tax economic yield expected by the original Owner Participant with respect to its investment in the

Aircraft, utilizing the multiple investment sinking fund method of analysis.

"Owner Participant" shall have the meaning set forth in the first paragraph hereof.

"Owner Participant's Net Economic Return" shall mean (i) the Original After-Tax Yield and (ii) total aggregate after-tax cash flow expected by the original Owner Participant with respect to the Aircraft, in each case utilizing the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement and the assumption that the Certificates will bear interest at the Assumed Debt Rate throughout the Term and that principal will be payable on the Certificates according to Schedule D to the Rent Schedule as of the Delivery Date) in determining the Basic Rent, Stipulated Loss Value and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted from time to time to take into account the impact of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages for Basic Rent, Stipulated Loss Value or Termination Value.

"Owner Participant's Revised Net Economic Return" shall mean (i) the Original After-Tax Yield and (ii) total aggregate after-tax cash flow expected by the original Owner Participant with respect to the Aircraft, in each case utilizing the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement and the assumption that the Certificates will bear interest at the Assumed Debt Rate throughout the Term and that principal will be payable on the Certificates according to an optimized amortization schedule throughout the Term) in determining the alternate Basic Rent, Stipulated Loss Value and Termination Value schedules with respect to the Term that have been furnished to the Lessee and placed in escrow with Sidley & Austin in accordance with Section 18(d), as such assumptions may be adjusted from time to time to take into account the impact of any change of the type specified in Section 3(e) of the Lease which theretofore has re-

sulted in an adjustment of the percentages for Basic Rent, Stipulated Loss Value or Termination Value.

"Owner Trustee" shall have the meaning set forth in the first paragraph hereof.

"Permitted Transferee" shall mean any Person that:

(a) is not a commercial air carrier; and

(b) is either

(i) a commercial banking institution organized under the laws of the United States or any State thereof; or

(ii) a commercial banking institution that (x) is organized under the laws of the United Kingdom, France, Germany or The Netherlands (each, an "Applicable Jurisdiction"), (y) is entitled on the date it acquires any Loan Certificate to a complete exemption from income Taxes imposed by the United States federal government on all income derived by it hereunder and under the Loan Certificates under an income tax treaty, as in effect on such date, between the United States and the Applicable Jurisdiction, and (z) is engaged in the active conduct of a banking business in the Applicable Jurisdiction, holds its Loan Certificates in connection with such banking business and is regulated as such by the appropriate regulatory authorities in the Applicable Jurisdiction; or

(iii) a commercial banking institution that is (x) organized under the laws of the United Kingdom, Switzerland, France, Germany, The Netherlands, Luxembourg, Sweden, Austria, Australia, Canada, Italy, Japan or Ireland and (y) on the date it acquires any Loan Certificate, under the Code as in effect on such date is not subject to United States federal withholding Tax on any income derived by it from the transactions contemplated by the Operative Documents by reason of such income being effectively connected with the conduct of a trade or business within the United States; and

(c) that can and does represent and agree in a writing addressed to the Loan Participant and stated to be for the benefit of the Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee, that:

(i) it is acquiring its Loan Certificate or participation, as the case may be, for its own account for investment and not with a view to any resale or distribution thereof (other than in compliance with Section 9(p) of the Participation Agreement and the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, and any other applicable laws relating to the transfer of similar interests); and

(ii) either (x) no part of the funds to be used to purchase or fund such Loan Certificate or participation is or will be assets (within the meaning of ERISA and any applicable rules and regulations) of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or any "plan" (as defined in Section 4975(e) of the Code) or (y) that such acquisition will not cause the Lessee or the Owner Participant, as the case may be, to engage in a prohibited transaction under Section 406 or 407 of ERISA or Section 4975 of the Code; and

(d) in the case of the acquisition of a Loan Certificate, has appointed the Original Loan Participant to act as its agent in connection with the Operative Documents and acquires Loan Certificates having an original principal amount of at least \$5,000,000.

"Related Indemnitee Group" shall have the meaning set forth in Section 7(b) hereof.

"Short Period Rate" shall have the meaning set forth in the Trust Indenture.

"Short Period Rate Loan" shall have the meaning set forth in the Trust Indenture.

"Special Purchase Price Yield" shall mean the after-tax economic yield expected by the original Owner Participant with respect to the Aircraft,

utilizing the multiple investment sinking fund method of analysis and the same assumptions in determining the Special Purchase Price percentage payable in connection with the alternate rental schedules referred to in the definition of the Owner Participant's Revised Net Economic Return (such Special Purchase Price percentage having been furnished to the Lessee and such assumptions having been placed in escrow with Sidley & Austin in accordance with Section 18(d)).

"State or Local Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Tax" and "Taxes" shall have the meanings set forth in Section 7(c) hereof.

"Tax Indemnatee" shall have the meaning set forth in Section 7(c)(11) hereof.

"Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Transaction Costs" shall have the meaning set forth in Section 18(a) hereof.

"Transferee" shall have the meaning set forth in Section 16(c) hereof.

(b) Any other capitalized term not herein defined, when used herein in capitalized form, shall have the meaning attributed thereto in the Lease.

(c) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice may be given by United States registered or certified mail, postage prepaid, courier service, telegram, telex, telecopy, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telecopy, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered to any party to this Agreement to its address or telex number set forth below the signature of such party at the foot of this Agreement, or to such other address or telex or facsimile number as such party may hereafter specify for such purpose by notice to the other parties hereto.

## SECTION 16. Certain Covenants of the Owner Participant.

(a) The Owner Participant hereby agrees to notify the Lessee or cause the Lessee to be notified by telephone, telecopier or telegram not later than 1:00 p.m. New York City time, on the third Business Day prior to the Base Lease Commencement Date stating whether or not the Owner Participant intends to pay an amount equal to \$2,534,836.99 (the "Excess Payment Amount", subject to adjustment pursuant to the following paragraph) in full by 1:00 p.m., New York City time, on the Base Lease Commencement Date. The Owner Participant shall also have the right to reimburse the Lessee at any time for all or any portion of the Reimbursement Amount for which the Lessee has not received an offset pursuant to Section 3(f) of the Lease.

Although the amount of the Excess Payment Amount has been computed on the assumption that each Certificate will bear interest at the Assumed Debt Rate for such Certificate throughout the Interim Period, the Owner Participant and the Lessee recognize that the actual rate of interest on each Certificate may be a rate from time to time which may be greater or less than the Assumed Debt Rate for such Certificate and that the related basis upon which interest on the Certificates will be computed will be as provided in the Trust Indenture. Accordingly, the Excess Payment Amount shall be increased or decreased (but not below zero), as the case may be, by an amount (the "Excess Payment Differential Amount") equal to, as of the Base Lease Commencement Date, the difference between (i) the aggregate amount of interest actually due and payable on the Base Lease Commencement Date on the Certificates for the period from and including the Delivery Date to but excluding the Base Lease Commencement Date, determined as provided in the Trust Indenture, and (ii) the aggregate amount of interest on the Loan Certificates that would have been due and payable on the Base Lease Commencement Date if the outstanding principal amount of such Loan Certificates had borne interest at the Assumed Debt Rate for the period from and including the Delivery Date to but excluding the Base Lease Commencement Date. If, as of the Base Lease Commencement Date, the amount determined in accordance with clause (i) of the immediately preceding sentence shall be greater than the amount determined in accordance with clause (ii) of such sentence, the Excess Payment Amount shall be increased by the Excess Payment Differential Amount. If, as of the Base Lease Commence-

ment Date, the amount determined in accordance with such clause (ii) shall be greater than the amount determined in accordance with such clause (i), the Excess Payment Amount shall be decreased by the Excess Payment Differential Amount. The interest actually accruing with respect to the Certificates shall be as specified by the notification to be delivered by the Original Loan Participant (whether or not it at the time holds any Loan Certificates) to each of the Owner Participant, the Owner Trustee, each other Loan Participant, the Indenture Trustee and the Lessee as provided in Section 1(c) hereof.

(b) The Owner Participant hereby unconditionally agrees with and for the benefit of the other parties to this Agreement that the Owner Participant will not directly or indirectly create, incur, assume or suffer to exist any Lessor's Liens on or against any part of the Trust Estate or the Aircraft arising out of any act or omission of or claim against or affecting any part of the Trust Estate or the Aircraft arising out of any act or omission of or claim against the Owner Participant, and the Owner Participant agrees that it will, at its own cost and expense, take such action as may be necessary to duly discharge and satisfy in full any such Lessor's Lien (by bonding or otherwise, so long as Lessee's operation and use of the Aircraft is not impaired and the lien of the Indenture is not impaired). The Owner Participant hereby agrees to indemnify and hold harmless the Lessee, the Indenture Trustee and each Loan Participant against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as the result of the failure of the Owner Participant to discharge and satisfy any such Lessor's Lien. In addition, the Owner Participant agrees to indemnify, protect, save and keep harmless each Loan Participant from and against any reduction in the amount payable out of the Indenture Estate to such Loan Participant in respect of the Certificates held by such Loan Participant or any other loss, cost or expenses (including reasonable legal fees and expenses) incurred by such Loan Participant, as a result of the imposition or enforcement of, or the Owner Participant's failure to satisfy, any Lessor's Lien or claim against the Indenture Estate by any taxing authority because of the nonpayment by the Owner Participant of any Taxes imposed on or measured by the net income or revenues of the Owner Participant or the Trust Estate that are not required to be indemnified against by the Lessee.

(c) The Owner Participant shall not directly or indirectly assign, convey or otherwise transfer any of its right, title or interest in and to all or any part of this Agreement, the Tax Indemnity Agreement, the Trust Agreement, the Trust Estate, the Indenture Estate, the Purchase Agreement Assignment, the Purchase Agreement or any of the other Operative Documents except that the Owner Participant may assign, convey or otherwise transfer all (but not less than all) thereof if:

(i) (A) the Person to whom such transfer is made (the "Transferee") is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act (without the utilization of a voting trust agreement, voting powers agreement or similar arrangement by the Transferee or any Affiliate thereof unless the Owner Participant obtains the consent of the Lessee, which consent shall not be unreasonably withheld), and has the requisite power, authority and legal right to enter into and carry out the transactions contemplated hereby; (B) such conveyance does not violate any provisions of the Federal Aviation Act, the Securities Act of 1933, as amended (and no registration pursuant to such Act or the rules and regulations thereunder shall be required in connection with such conveyance), or any other applicable law, or create a relationship which would be in violation thereof, or result in a "prohibited transaction" under ERISA or the Code; (C) the Transferee enters into an agreement or agreements, in form and substance reasonably satisfactory to the Lessee, the Owner Trustee and the Indenture Trustee (the "Assumption Agreement") for the benefit of the Lessee, the Owner Trustee, the Indenture Trustee and the Loan Participants, whereby the Transferee confirms that it shall be deemed a party to this Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement and each other Operative Document to which the Owner Participant is a party, and the party named as the "Owner Participant" in the Trust Agreement, the Lease and the Trust Indenture and agrees to be bound by all of the terms of, and to undertake all of the obligations of the Owner Participant contained in, this Agreement, the Trust Agreement, the Tax Indemnity Agreement and each other Operative Document to which the Owner Participant is a party or by which the Owner Participant is bound, and in which the Transferee shall, as a precondition

to any such transfer, make representations and warranties substantially equivalent to those of the Owner Participant contained herein and, in the event such Transferee is a partnership, such additional documents and/or amendments to the Operative Documents (in form and substance reasonably satisfactory to the Lessee, the Owner Trustee and the Indenture Trustee) as the Lessee, the Owner Trustee or the Indenture Trustee may reasonably request; (D) after giving effect to such assignment, conveyance or transfer, there would be no more than one Owner Participant with respect to the Aircraft; (E) the Owner Participant shall deliver to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee an opinion of counsel (which shall be the general counsel of the Transferee or other counsel reasonably satisfactory to the Lessee and the Indenture Trustee), that the Assumption Agreement has been duly authorized, executed and delivered by the Transferee and is enforceable against such Transferee in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally or by general principles of equity; (F) the Owner Participant shall deliver to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee one or more certificates of a duly authorized officer of the transferor and if necessary transferee Owner Participant concerning, when taken together, all of the matters contained in clauses (A) and (D) of this paragraph (i) and (except in connection with any such assignment, transfer or conveyance to a direct or indirect wholly-owned subsidiary of American Telephone and Telegraph Company) an opinion delivered by counsel of the type referred to in clause (E) to the effect that such transfer complies with the provisions of clauses (A) (except as to citizenship), (B) and (D) of this paragraph (i); and (G) the transferor and/or transferee Owner Participant assumes by an instrument in form and substance reasonably satisfactory to the Lessee and the Indenture Trustee the risk of any adverse tax consequences to any Tax Indemnitee resulting from such conveyance; and

(ii) either (A) the Transferee is a bank or lending institution with a combined capital and

surplus of at least \$75,000,000, or is a corporation or domestic partnership with net worth of at least \$75,000,000, exclusive of goodwill, all of the foregoing determined in accordance with generally accepted accounting principles (hereinafter referred to as a "Qualifying Institution"), or (B) if the Transferee is not itself a Qualifying Institution, a parent corporation of the Transferee which qualifies as a Qualifying Institution shall have executed and delivered to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee an absolute and unconditional guaranty, in form and substance satisfactory to the Lessee and the Indenture Trustee, with respect to the obligations of the Transferee as the Owner Participant assumed by the Transferee under the Assumption Agreement referred to above, and the Transferee shall deliver to the Indenture Trustee (unless the lien of the Trust Indenture is discharged), the Owner Trustee and the Lessee an opinion of counsel (which shall be the general counsel of the Qualifying Institution providing such guaranty or other counsel reasonably satisfactory to the Lessee and the Indenture Trustee) that such guaranty is enforceable against the guarantor in accordance with its terms.

In the event that the Owner Participant is neither American Telephone and Telegraph Company, AT&T Credit Corporation nor any other Affiliate of American Telephone and Telegraph Company, any transfer by direct sale, consolidation, merger or otherwise of 50% or more of the capital stock of the Owner Participant (including, for this purpose, any such transfer of the capital stock of any one of its direct or indirect parent companies or other parent entities, other than its ultimate parent entity) (any such transfer being referred to as a "Change in Control") shall be deemed to be a conveyance by such Owner Participant of its interests in the transactions contemplated by this Agreement subject to this Section 16(c), and accordingly no such Change in Control shall take place without the Lessee's consent unless it satisfies the terms and conditions set forth in this Section 16(c), including without limitation those set forth in paragraphs (i) and (ii) above; provided that no such transfer of the capital stock of an Owner Participant that is American Telephone and Telegraph Company, AT&T Credit Corporation or any other Affiliate of American Telephone and Telegraph Company (or any of the direct or indirect

parent companies or other parent entities of any thereof) shall be prohibited by or subject to the terms of this Section 16(c). Notwithstanding the foregoing sentence, if (x) the obligations of such Owner Participant were guaranteed at the time such Owner Participant became the Owner Participant hereunder by a parent entity that was at such time a Qualifying Institution (the "Parent Guarantor"), and (y) following a Change in Control, the Transferee remains both a member of the controlled or consolidated group of companies of which the Parent Guarantor is a part and a subsidiary of the Parent Guarantor, such Transferee shall comply with the conditions set forth in paragraph (i) above, but shall not be required to satisfy the conditions set forth in paragraph (ii) above; provided that such guaranty of the Parent Guarantor is amended to remain in full force and effect in respect of the Transferee and the Transferee delivers to the Indenture Trustee (unless the lien of the Trust Indenture is discharged), the Owner Trustee and the Lessee an opinion of counsel (which shall be the general counsel of the Parent Guarantor or other counsel reasonably satisfactory to the Lessee) in form and substance satisfactory to the Lessee and the Owner Trustee as to the continued legality, validity and enforceability of such guaranty.

Notwithstanding the foregoing, so long as the Lease is in effect, there shall not be more than five transfers (not including any transfer to any Affiliate of American Telephone and Telegraph Company) by the Owner Participant (including its successors and permitted assigns) pursuant to this Section 16(c) without the prior written consent of the Lessee, such consent not to be unreasonably withheld. Any fees, charges and expenses incurred by the Owner Trustee, the Indenture Trustee or the Lessee in connection with any transfer pursuant to this Section 16(c), including, without limitation the out-of-pocket expenses of the Lessee and reasonable legal fees and expenses, will be paid by the transferring Owner Participant and in no case will the Lessee be responsible for any such fees, charges or expenses. Without the consent of the Lessee, no transfer shall be permitted pursuant to this Section 16(c) to a Transferee that is (i) an airline or other commercial operator of aircraft that is a competitor of the Lessee or any of its Affiliates or (ii) a corporation or other entity that is an Affiliate of any such airline or other commercial operator of aircraft.

Upon any such conveyance by the Owner Participant to a Transferee permitted by this Section 16(c), the Transferee shall be deemed the "Owner Participant" for all purposes hereof (unless the context is inappropriate) and shall be deemed to have made all the investments in beneficial ownership of the Aircraft previously made by the Owner Participant in respect of the right, title and interest so conveyed; and each reference in this Agreement, the Trust Agreement, the Lease, the Tax Indemnity Agreement, the Trust Indenture and the other Operative Documents to the Owner Participant making the transfer shall thereafter be deemed a reference to the Transferee as the Owner Participant (unless the context is inappropriate). Upon any such conveyance by the Owner Participant to a Transferee permitted by the foregoing provisions of this Section 16(c), the transferor Owner Participant shall be relieved of all of its liabilities and obligations hereunder and under the Trust Agreement to the extent of the interest so transferred, provided that in no event will any such conveyance release the transferor Owner Participant from any liability to the extent caused by any breach existing at the time of such conveyance by the Owner Participant of any of its representations, warranties, covenants or obligations contained herein or in the Trust Agreement. If the Owner Participant proposes to transfer its interests pursuant to this Section 16(c), it shall give 20 days' (or, in the case of a transfer where the Transferee is an Affiliate of the Owner Participant making the transfer, 10 days') prior written notice thereof to the Owner Trustee, the Indenture Trustee and the Lessee, specifying the name and address of the transferee and specifying the facts necessary to determine whether the conditions of this Section 16(c) have been or shall be satisfied.

SECTION 17. Optional Redemption of Certificates. (a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Certificates (the "Outstanding Certificates") (such term to include the Certificates originally issued under the Trust Indenture and any refunding indebtedness issued pursuant to this Section 17 or Section 20) pursuant to the Trust Indenture as part of a refunding or refinancing operation. Promptly on receipt of such request, the Owner Participant will negotiate promptly in good faith to conclude an agreement

with the Lessee as to the terms of such refunding or refinancing operation and upon such agreement:

(i) the Lessee, the Owner Participant, the Indenture Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 17, the "Refunding Date") of United States Dollar-denominated debt securities in an aggregate principal amount equal to the sum of the principal amount of the Outstanding Certificates on the Refunding Date and, subject to clause (w) of Section 17(a)(ii), all interest accrued thereon to the Refunding Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Certificates on the Refunding Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Refunding Date is not a Lease Period Date, the Lessee shall on the Refunding Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Outstanding Certificates to the Refunding Date in the event that such interest is not financed through the issuance of debt securities on the Refunding Date (provided that if the Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant may, pursuant to Section 16(a) hereof on the Refunding Date prepay the Excess Payment Amount), (x) Basic Rent payable in respect of the period from and after the Refunding Date shall be recalculated to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to any Section 20 Refinancing, the Owner Participant's Revised Net Economic Return), (y) amounts payable in

respect of Stipulated Loss Value and Termination Value from and after the Refunding Date shall be appropriately recalculated to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the Owner Participant's Revised Net Economic Return) and (z) the Special Purchase Price and the Special Purchase Option Date shall be recalculated as provided in Section 18;

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 17 in like manner as the Certificates issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will materially increase the liabilities of or impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that (w) there shall be no more than two such refundings or refinancings (not including the Section 20 Refinancing), (x) if within 15 days after receipt of a request from the Lessee to effect a refunding or refinancing pursuant to this Section 17, which request specifies the proposed structural terms and the amount thereof, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the refunding or refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the refunding or refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within

the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect such refunding or refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, a refinancing or refunding will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes, (y) no such refinancing or refunding shall require an increase in the amount of the Owner Participant's investment in the beneficial ownership of the Aircraft or shall cause the ratio of the newly issued debt to the Owner Participant's then outstanding investment in the Aircraft to be more than 4 to 1 and (z) except with respect to matters relating to taxes, no such refunding or refinancing will materially increase the liabilities of or impair the rights of the Owner Participant. In addition, if any such refunding or refinancing occurs after the Section 20 Refinancing, neither the refunding or refinancing, nor any related adjustment of Basic Rent, shall increase or decrease the periodic FASB 13 earnings of the Owner Participant for any calendar year in the period (if any) from the date of such refunding or refinancing to December 31, 1998 each by an amount greater than 10% of the amount of earnings expected for each such calendar year immediately prior to such refunding or refinancing.

(b) The Certificates, and any other debt instruments issued in connection with any refunding or refinancing operation permitted by this Section 17, shall not be subject to optional redemption by the Owner Trustee without the consent of the Lessee (except as provided in Section 2.13 of the Trust Indenture).

SECTION 18. Calculation of Adjustments to Basic Rent, Stipulated Loss Value, Termination Value, etc.; Confirmation and Verification.  
(a) Calculation of Adjustments. In the event that (A) the expenses paid by the Owner Participant pursuant to Section 9(a) hereof (except for any expenses paid or payable to any financial advisor

to the Owner Participant) and such other expenses as the Lessee shall expressly agree in writing shall be deemed to be "Transaction Costs" (collectively, the "Transaction Costs") are less or more than 1.0% of Lessor's Cost, or (B) prior to the acceptance of the Aircraft on the Delivery Date: (1) there shall have occurred a Change in Tax Law and (2) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 hereof to decline to proceed with the transaction, or (C) a refinancing or refunding as contemplated by Section 17 hereof occurs (it being understood that if the Refunding Date occurs on or prior to the Base Lease Commencement Date, any recalculations pursuant to this clause (C) shall take into account any prepayment by the Owner Participant on such Refunding Date of the Excess Payment Amount pursuant to Section 16(a) hereof under clause (w) of Section 17(a)(ii) hereof or under clause (w) of Section 20(a)(ii) hereof), or (D) the Delivery Date is other than June 17, 1992, or (E) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (after adjustment for any Excess Payment Differential Amount) is other than \$2,534,836.99, then, in each case, the Owner Participant shall recalculate the payments of Basic Rent and Stipulated Loss Values, Termination Values and the Excess Payment Amount with respect to the Term (i) to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the Owner Participant's Revised Net Economic Return) and (ii) to minimize to the greatest extent possible, consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in the event of a refinancing or refunding referred to in clause (C) of the preceding sentence, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in a manner consistent with the procedures specified in the second sentence of Section 20(c). In performing any such recalculations, the Owner Participant shall utilize the same methods and assumptions originally used to calculate the payments of Basic Rent, Stipulated Loss Values, Termination Values and Special Purchase Price Percentage with respect to the Term (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the same methods and assumptions originally used by

the original Owner Participant in the calculation of the alternate schedules referred to in the definition of the Owner Participant's Revised Net Economic Return and the Special Purchase Price Percentage and held in escrow by Sidley & Austin pursuant to Section 18(d)) (in each case as such assumptions may be changed as a result of the event described in clause (A), (B), (C) or (D) of the second preceding sentence necessitating such recalculation or due to the prior occurrence of any such event or the prior occurrence of the Section 20 Refinancing); provided that, Basic Rent, as so recomputed, shall comply with the requirements of Sections 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

(b) Confirmation and Verification. Upon completion of any recalculation described above in Section 18(a), a duly authorized officer of the Owner Participant shall provide a certificate to the Lessee either (x) stating that the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage as are then applicable do not require change, or (y) setting forth such adjustments to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage as have been calculated by the Owner Participant in accordance with Section 18(a) above and Section 3(e) of the Lease. Such certificate shall describe in reasonable detail the basis for any such adjustments. If the Lessee shall so request, the recalculation of any such adjustments described in this Section 18 shall be verified by a nationally recognized firm of independent public accountants jointly selected by the Lessee and the Owner Participant (provided that such firm of independent public accountants shall not be regularly retained by either the Lessee or the Owner Participant). A representative of such firm shall be shown, on a confidential basis, the original assumptions used by the Owner Participant and held in escrow by Sidley & Austin pursuant to Section 18(d) and the methods used by the Owner Participant in the original calculation of, and any recalculation of,

Basic Rent, Stipulated Loss Values and Termination Values and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the same methods and assumptions originally used by the original Owner Participant in the calculation of the alternate schedules referred to in the definition of the Owner Participant's Revised Net Economic Return and the Special Purchase Price Percentage held in escrow by Sidley & Austin pursuant to Section 18(d)). The reasonable costs of such verification shall be borne by the Lessee, unless as a result of such verification process the payments of Basic Rent are adjusted and such adjustment causes (i) the present value of the payments of Basic Rent, discounted semi-annually at the Assumed Debt Rate, to decline by five basis points or more from the present value of the payments of Basic Rent, discounted semi-annually at the Assumed Debt Rate, certified by the Owner Participant pursuant to this Section 18(b) or (ii) any Stipulated Loss Value or Termination Value percentage or, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage, to be significantly below that certified by the Owner Participant pursuant to this Section 18(b), in which case the Owner Participant shall be responsible for the reasonable costs of such verification. In connection with any adjustment pursuant to this Section 18 or Section 20, the Owner Participant, the Lessee, the Owner Trustee and the Indenture Trustee shall enter into an appropriately revised Rent Schedule.

(c) Payment of Debt Service. No adjustment may be made to the payments of Basic Rent or to Stipulated Loss Values or Termination Values with respect to the Term, unless (i) each installment of Basic Rent (or, in the case of the Base Lease Commencement Date, the Excess Payment Amount), as so adjusted, under any circumstances and in any event, will be in an amount at least sufficient for the Owner Trustee to pay in full as of the due date of such installment any payment of principal or interest on the Certificates required to be paid on the due date of such installment of Basic Rent (or on the Base Lease Commencement Date, as the case may be) and (ii) Stipulated Loss Value and Termination Value, as so adjusted, under any circumstances and in any event, will be an amount which, together with any other amounts required to be paid by the Lessee under the Lease in connection with an Event of Loss or a termination of the Lease, as the case may be,

will be at least sufficient to pay in full, as of the date of payment thereof, the aggregate unpaid principal of and all unpaid interest on the Certificates accrued to the date on which Stipulated Loss Value or Termination Value, as the case may be, is paid in accordance with the terms of the Lease.

(d) Escrow. The Owner Participant agrees to place in escrow with Sidley & Austin, and to cause Sidley & Austin to retain, (i) the assumptions and methods utilized by the Owner Participant in the calculation of the schedules of Basic Rent, Termination Value and Stipulated Loss Value referred to the definition of the Owner Participant's Net Economic Return, and in the calculation of the Special Purchase Price Percentage as of the Delivery Date, (ii) the assumptions and methods utilized by the Owner Participant in the calculation of the alternate schedules of Basic Rent, Termination Value and Stipulated Loss Value referred to in the definition of the Owner Participant's Revised Net Economic Return, together with such alternate schedules, and the Special Purchase Price Percentage applicable to a lease financing accomplished pursuant to such alternate schedules (calculated to preserve the Special Purchase Price Yield to the applicable Special Purchase Option Date in accordance with the methodology described in the second sentence to Section 20(c)), copies of which alternate schedules and such Special Purchase Price Percentage have been provided to the Lessee, and (iii) any adjustments made to any of the assumptions referred to in clause (i) or (ii) of this sentence to take into account the effect of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages of Basic Rent, Stipulated Loss Value, Termination Value or Special Purchase Price Percentage. In connection with the foregoing, the Owner Participant will provide Sidley & Austin with such supporting documents and materials, and access to such computer programs and/or software, as would be complete and sufficient, without more, to enable the verification, as contemplated by Section 18(b), of any calculations made by the Owner Participant under this Section 18 or Section 20.

SECTION 19. Concerning the Owner Trustee.

Wilmington Trust Company is entering into this Agreement solely in its capacity as Owner Trustee under the Trust Agreement and not in its individual capacity (except as expressly stated herein) and in no case shall Wilmington

Trust Company (or any entity acting as successor Owner Trustee under the Trust Agreement) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of the Owner Trustee hereunder, provided, however, that Wilmington Trust Company (or any such successor Owner Trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of its covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

SECTION 20. Section 20 Refinancing. (a) In addition to the provisions set forth in Section 17, whether or not a refunding or refinancing pursuant to such Section 17 shall have previously occurred, and with regard to the role of Credit (as defined in the Tax Indemnity Agreement) in the transactions contemplated by the Operative Agreements, at any time the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Outstanding Certificates as part of a refunding or refinancing operation with refinancing indebtedness with respect to which the refinancing indebtedness has a final maturity date of at least six months after the final maturity date of the Outstanding Certificates and has a weighted average life to maturity at least 90 days longer than the remaining weighted average life to maturity of the outstanding Certificates (such refinancing hereinafter referred to as the "Section 20 Refinancing"). Promptly on receipt of such request (which request shall specifically designate such refinancing as the Section 20 Refinancing), the Owner Participant will, in good faith, use all reasonable efforts to conclude an agreement with the Lessee as to the terms of such Section 20 Refinancing and upon such agreement:

(i) the Lessee, the Owner Participant, the Indenture Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity

Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 20, the "Section 20 Refunding Date") of United States Dollar-denominated debt securities in an aggregate principal amount at least equal to the principal amount of the Outstanding Certificates on the Section 20 Refunding Date and, subject to clause (w) of Section 20(a)(ii), all interest accrued thereon to the Section 20 Refunding Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Certificates on the Section 20 Refunding Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Section 20 Refunding Date is not a Lease Period Date, the Lessee shall on the Section 20 Refunding Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Outstanding Certificates to the Section 20 Refunding Date in the event that such interest is not financed through the issuance of debt securities on the Section 20 Refunding Date, provided that if the Section 20 Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant may, pursuant to Section 16(a), prepay the Excess Payment Amount or such portion thereof on the Section 20 Refunding Date as the Lessee and the Owner Participant shall agree is advisable in order to optimize the revised rental schedules to be calculated pursuant to Section 20(c), (x) Basic Rent payable in respect of the period from and after the Section 20 Refunding Date shall be recalculated pursuant to Section 20(c) to preserve the Owner Participant's Revised Net Economic Return, (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Section 20 Refunding Date shall be appropriately recalculated pursuant to Section 20(c) to preserve the Owner Participant's Revised Net Economic Return and (z) the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated pursuant to Section 20(c);

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the

debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 20 in like manner as the Certificates issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that if within 15 days after receipt of a request from the Lessee to effect the Section 20 Refinancing, which request specifies the proposed structural terms of such refinancing and the amount of refinancing indebtedness, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the Section 20 Refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the Section 20 Refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect the Section 20 Refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, the Section 20 Refinancing will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes.

Each of the Owner Participant, the Owner Trustee, each Loan Participant and the Indenture Trustee agrees

to use all reasonable efforts to facilitate the Section 20 Refinancing, including, without limitation, by making such modifications to, or entering into such amendments and supplements to, the Operative Documents as may be appropriate or necessary to effect the Section 20 Refinancing.

(b) The Section 20 Refinancing shall not constitute a refunding or refinancing for the purposes of Section 17. Any debt instruments issued in connection with the Section 20 Refinancing shall not be subject to optional redemption by the Owner Trustee without the consent of the Lessee (except as provided in Section 2.13 of the Trust Indenture).

(c) In connection with the Section 20 Refinancing, the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term and, if the Section 20 Refunding Date occurs on or prior to the Base Lease Commencement Date, the Excess Payment Amount payable pursuant to Section 16(a) hereof (such recalculation of the Excess Payment Amount to take into account any prepayment by the Owner Participant on such Section 20 Refunding Date of all or part of the Excess Payment Amount under clause (w) of Section 20(a)(ii)), (i) to achieve the Owner Participant's Revised Net Economic Return, and (ii) to minimize, to the greatest extent possible consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in such event, the Special Purchase Price Percentage shall be recalculated in order to preserve the Special Purchase Price Yield to the Special Purchase Option Date of July 2, 2012; provided that the Special Purchase Price Percentage for the Special Purchase Option Date, as so adjusted, shall not be less than 56.9%. Notwithstanding the foregoing, the Owner Participant, the Owner Trustee and the Lessee agree that, at the Lessee's option, the Lessee may request that the Special Purchase Option Date be changed (and that the Special Purchase Price Percentage be recalculated as of such changed date) to whichever of the four Lease Period Dates preceding the Special Purchase Option Date or the two Lease Period Dates following the Special Purchase Option Date (each, an "Alternate Special Purchase Option Date") would result in the lowest possible sum of (1) the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent for the period from the Sec-

tion 20 Refunding Date to and including the applicable Alternate Special Purchase Option Date (but excluding any Basic Rent designated as payable in advance on such Alternate Special Purchase Option Date) and (2) the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the Special Purchase Price as of such Alternate Special Purchase Option Date, and that, if necessary, the Lease shall be amended to reflect the change in the Special Purchase Option Date from July 2, 2012 to whichever of the Alternate Special Purchase Option Dates as would give rise to the lowest such sum; provided that upon any such request by the Lessee to change the Special Purchase Option Date to an Alternate Special Purchase Option Date, the Owner Participant shall, at its cost and expense, obtain an estimate of the fair market value (taking into account a reasonable estimate for inflation and deflation) of the Aircraft, as of any Alternate Special Purchase Option Dates specified by the Lessee, from BK Associates, Inc. or, if BK Associates, Inc. shall not then be an independent aircraft appraiser, from an independent aircraft appraiser selected by mutual agreement of the Owner Participant and the Lessee or, if they shall be unable to agree, from an appraiser selected pursuant to an Independent Appraisal (except that all costs and expenses of such appraiser shall be borne by the Owner Participant) and, if the estimated fair market value of the Aircraft determined by such appraiser (expressed as a percentage of Lessor's Cost) is more than the Special Purchase Price Percentage calculated for the Alternate Special Purchase Option Date as provided above in this sentence to which the Lessee has requested the Special Purchase Option Date be changed, the Special Purchase Option Date shall remain unchanged and the Special Purchase Price Percentage shall be the percentage determined in accordance with the preceding sentence, unless the Lessee elects that the Special Purchase Price Percentage as of such Alternate Special Purchase Option Date shall be equal to such estimated fair market value (computed as a percentage of Lessor's Cost), in which case the Lease shall be amended to reflect such Alternate Special Purchase Option Date. In performing any such recalculations in respect of Basic Rent, Stipulated Loss Value and Termination Value, the Owner Participant shall utilize the same methods and assumptions originally used to calculate the alternate schedules of Basic Rent, Stipulated Loss Values and Termination Values referred to in the definition of the Owner Participant's Revised Net Economic Return and in performing any such recalculations

in respect of the Special Purchase Price Percentage, the Owner Participant shall, subject to the proviso to the preceding sentence, utilize the same methods and assumptions originally used to calculate the Special Purchase Price Percentage held in escrow by Sidley & Austin pursuant to Section 18(d) (other than, in each case, those assumptions changed as a result of the Section 20 Refinancing; it being agreed that such recalculation shall reflect solely any changes of assumptions or facts resulting directly from such Section 20 Refinancing or due to the prior occurrence of any event taken into account in a recalculation pursuant to Section 18), provided that, Basic Rent, as so recomputed, shall comply with the requirements of Sections 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

Upon completion of any recalculation described above in this Section 20(c), a duly authorized officer of the Owner Participant shall provide a certificate to the Lessee either (x) stating that the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term, and the Special Purchase Price Percentage and the Special Purchase Option Date, as are then set forth in the Lease do not require change, or (y) setting forth such adjustments to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term and the Special Purchase Price Percentage and the Special Purchase Option Date, as have been calculated by the Owner Participant in accordance with the above provisions. Such certificate shall describe in reasonable detail the basis for any such adjustments. If the Lessee shall so request, the recalculation of any such adjustments described in this Section 20 shall be verified by procedures substantially identical to the verification procedures set forth in Section 18(b). No adjustment may be made to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term pursuant to this Section 20 except in accordance with the provisions of Section 18(c).

Section 21. Miscellaneous. (a) Nothing contained in this Agreement, or in the Lease, the Trust Indenture, the Trust Agreement or the Tax Indemnity Agree-

ment shall be construed as a guarantee by the Lessee of payments due pursuant to the Certificates or of the residual value or useful life of the Aircraft or any portion thereof.

(b) Any provision of this Agreement which is prohibited and unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought. The section and paragraph headings in this Agreement and the index preceding this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Agreement.

(c) The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Lessee and, subject to the terms of Section 13(E) hereof, its successors and permitted assigns, the Indenture Trustee and its successors as Indenture Trustee under the Trust Indenture, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement, the Owner Participant and, subject to the provisions of Section 16(c) hereof, its successors and permitted assigns, and the Original Loan Participant and, subject to the provisions of Section 9(p) hereof, the other Loan Participants. Each Loan Participant other than the Original Loan Participant, by its acceptance of any Certificate, shall be deemed to have irrevocably and unconditionally agreed to perform the obligations of a Loan Participant hereunder and under the Trust Indenture.

(d) With respect to any opinion required to be delivered under any Operative Document by counsel to any

party hereto, each party hereto hereby irrevocably instructs its applicable counsel to deliver such opinion to and for the benefit of the parties that are the addressees of such opinion.

THIS AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

AMERICAN AIRLINES, INC.

By /s/ JEFFERY M. JACKSON  
Name: Jeffery M. Jackson  
Title: Vice President and Treasurer

Address: P.O. Box 619616  
Dallas/Fort Worth International  
Airport,  
Texas 75261-9616  
Attention: Senior Vice  
President-  
Finance

Telex: 73-0613  
Answerback: AMAIR-DFWDAL  
Facsimile: (817) 967-4318  
Telephone: (817) 963-1234

Address for courier deliveries:

4333 Amon Carter Boulevard  
Fort Worth, Texas 76155  
Attention: Senior Vice President -  
Finance

AT&T CREDIT CORPORATION

By /s/ MICHAEL A. DEBERNARDI  
Name: Michael A. Debernardi  
Title: Vice President

Address: 44 Whippany Road  
Morristown, New Jersey 07960

Facsimile: (201) 397-4368  
Telephone: (201) 397-3000

WILMINGTON TRUST COMPANY,  
not in its individual capacity, except  
as otherwise expressly provided herein,  
but solely as Owner Trustee

By /s/ WILLIAM B. SOWDEN, III  
Name: William B. Sowden, III  
Title: Vice President

Address: Rodney Square North  
Wilmington, Delaware 19890  
Attention: Corporate Trust  
Administration  
(AA 1992 AF-1)

Telex: 835437  
Answerback: WILM TR  
Facsimile: (302) 651-8464  
Telephone: (302) 651-1000

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION, as Indenture  
Trustee

By /s/ PAUL WILLIAMS  
Name: Paul Williams  
Title: Senior Vice President

Address: 600 Peachtree Street, N.E.  
Suite 900  
Atlanta, Georgia 30308  
Attention: Corporate Trust  
Department  
(AA 1992 AF-1)

Facsimile: (404) 607-6534  
Telephone: (404) 607-4680

TRUST COMPANY BANK,  
as Original Loan Participant

By /s/ WILLIAM P. CANBY  
Name: William P. Canby  
Title: Supervisor

By /s/ JANE THOMSON  
Name: Jane Thomson  
Title: Vice President

Address: 25 Park Place  
16th Floor  
Atlanta, Georgia 30302

Attn: Jennifer Harrelson

Telex: 54-2210  
Answerback: TRUSTCO INTL ATL

Facsimile: (404) 827-6270  
Telephone: (404) 588-7711

106  
AF-1

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PARTICIPATION AGREEMENT  
(AA 1992 AF-2)

Dated as of July 1, 1992

between

AMERICAN AIRLINES, INC.,  
as Lessee

WILMINGTON TRUST COMPANY,  
as Owner Trustee

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION,  
as Indenture Trustee

AT&T CREDIT CORPORATION,  
as Owner Participant

and

ABN AMRO BANK N.V., HOUSTON AGENCY,  
as Original Loan Participant

-----  
One Boeing 767-323ER Aircraft  
N7375A

Leased to American Airlines, Inc.

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EXHIBIT III	Form of Purchase Agreement Assignment
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EXHIBIT V	Form of Opinion of Special Counsel for the Lessee
EXHIBIT VI	Form of Opinion of General Counsel of the Lessee
EXHIBIT VII	Form of Opinion of Special Counsel for the Owner Trustee
EXHIBIT VIII	Form of Opinion of Special Counsel for the Indenture Trustee
EXHIBIT IX	Forms of Opinion of Special Counsel for the Owner Participant and General Counsel of the Owner Participant
EXHIBIT X	Form of Opinion of Special Oklahoma City Counsel
EXHIBIT XI	Form of Opinion of Counsel for the Manufacturer
EXHIBIT XII	Form of Transfer Agreement

PARTICIPATION AGREEMENT  
(AA 1992 AF-2)

This PARTICIPATION AGREEMENT (AA 1992 AF-2), dated as of July 1, 1992, between (i) AMERICAN AIRLINES, INC., a Delaware corporation (herein, together with its successors and permitted assigns, called "American" or the "Lessee"), (ii) AT&T CREDIT CORPORATION, a Delaware corporation (herein, together with its successors and permitted assigns, called the "Owner Participant"), (iii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as expressly stated herein but solely as trustee under the Trust Agreement (as hereinafter defined) (herein in such capacity, together with its successors and assigns, called the "Owner Trustee"), (iv) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, a national banking association, in its individual capacity only as expressly stated herein, and otherwise as trustee under the Trust Indenture (as hereinafter defined) (herein in such capacities, together with its successors and assigns in such capacities, called the "Indenture Trustee"), and (v) ABN AMRO BANK N.V., HOUSTON AGENCY (herein called the "Original Loan Participant" and together with the Owner Participant, sometimes collectively called the "Participants" and individually a "Participant").

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase Agreement (such term and other capitalized terms used herein without definition have the meanings specified therefor in Section 15), The Boeing Company, a Delaware corporation (the "Manufacturer"), has agreed to manufacture and sell to American and American has agreed to purchase from the Manufacturer that certain Boeing 767-323ER aircraft bearing U.S. Registration Number N7375A and Manufacturer's Serial Number 25202, which is to be financed pursuant to this Participation Agreement (the "Aircraft", as such term is defined in the Lease referred to below and is used hereinafter with the same meaning);

WHEREAS, the Manufacturer has conveyed, pursuant to a warranty (as to title) bill of sale with respect to the Aircraft, to Boeing Sales Corporation, a Guam corporation and a wholly-owned subsidiary of the Manufacturer

(the "Manufacturer's Subsidiary"), all the Manufacturer's title to and interest in the Aircraft and has assigned to the Manufacturer's Subsidiary its right to receive any payments due with respect to the Aircraft under the Purchase Agreement, and the Manufacturer's Subsidiary will agree to sell and deliver the Aircraft pursuant and subject to all terms and conditions of the Purchase Agreement, and will appoint the Manufacturer as its duly authorized agent and attorney-in-fact for all purposes under the Purchase Agreement;

WHEREAS, immediately following the transfer by the Manufacturer's Subsidiary of title to the Aircraft to American, and subject to the terms and conditions set forth herein, (A) American is willing to sell the Aircraft to the Owner Trustee and the Owner Trustee is willing to purchase the Aircraft from American as soon as practicable after American has fully arranged satisfactory financing for such transactions; and (B) the Owner Trustee is willing to lease to American as the Lessee under the Lease referred to below, and American as the Lessee is willing to lease from the Owner Trustee, the Aircraft;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant has entered into a certain Trust Agreement (AA 1992 AF-2), dated as of the date hereof, substantially in the form of Exhibit I hereto (such Trust Agreement, as the same may be amended or supplemented from time to time, being herein called the "Trust Agreement", such term to include, unless the context otherwise requires, one or more of the Trust Agreement and Indenture Supplements referred to below), with Wilmington Trust Company in its individual capacity, pursuant to which Trust Agreement the Owner Trustee agrees, among other things, to hold the Trust Estate defined in Section 1.01 of the Trust Agreement (the "Trust Estate") for the benefit of the Owner Participant thereunder on the terms specified in the Trust Agreement, subject, however, to the lien created under the Trust Indenture referred to below;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee has entered into a certain Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of the date hereof, substantially in the form of Exhibit II hereto (such Trust Indenture and Security Agreement, as the same may be amended or supplemented from time to time, being herein called the

"Trust Indenture" or the "Indenture", such term to include, unless the context otherwise requires, one or more of the Trust Agreement and Indenture Supplements referred to below), with the Indenture Trustee, pursuant to which Trust Indenture the Owner Trustee agrees, among other things, for the benefit of the Loan Participants, (i) to deposit, mortgage and pledge with the Indenture Trustee, as part of the Indenture Estate (the "Indenture Estate", as such term is defined in the Trust Indenture and is hereinafter used with the same meaning) under the Trust Indenture, all of the properties held in trust by the Owner Trustee under the Trust Agreement (other than Excepted Property as defined in the Trust Indenture), (ii) to issue Certificates substantially in the form set forth in Section 2.01 of the Trust Indenture, in the amounts and otherwise as provided in Section 2.02 of the Trust Indenture (a "Certificate", as such term is defined in the Trust Indenture and is hereinafter used with the same meaning, and collectively the "Certificates") as evidence of the participation of the Original Loan Participant and the investment of the Holders thereof in the payment of Lessor's Cost for the Aircraft, and (iii) to execute and deliver a Trust Agreement and Indenture Supplement, substantially in the form of Exhibit A to the Trust Indenture (a "Trust Agreement and Indenture Supplement" as such term is defined in the Trust Indenture and is hereinafter used with the same meaning), covering the Aircraft, supplementing the Trust Agreement and the Trust Indenture;

WHEREAS, pursuant to the terms of the Trust Agreement, the Owner Trustee is authorized and directed by the Owner Participant (i) to execute and deliver a certain Purchase Agreement Assignment (AA 1992 AF-2), dated as of the date hereof, substantially in the form of Exhibit III hereto (the "Purchase Agreement Assignment"), with the Lessee, whereby the Lessee assigns to the Owner Trustee certain of the Lessee's rights and interest under the Purchase Agreement to the extent that the same relate to the Aircraft (except to the extent reserved to the Lessee in said Purchase Agreement Assignment) and which Purchase Agreement Assignment has annexed thereto a Consent and Agreement executed by the Manufacturer and an Agreement of Subsidiary executed by the Manufacturer's Subsidiary; and (ii) to execute and deliver a certain Lease Agreement (AA 1992 AF-2) relating to the Aircraft, dated as of the date hereof, with American, substantially in the form of Exhibit IV hereto (such Lease Agreement, as the same may be

amended or supplemented from time to time, being herein called the "Lease", such term to include the Rent Schedule (except in the case of any reference to the Lease Agreement as filed with the Federal Aviation Administration) and, unless the context otherwise requires, the Lease Supplement referred to below), pursuant to which, subject to the terms and conditions set forth therein, the Owner Trustee agrees to lease to the Lessee, and the Lessee agrees to lease from the Owner Trustee, the Aircraft on the Delivery Date, such lease to be evidenced by the execution and delivery of a Lease Supplement, substantially in the form of Exhibit A to the Lease (the "Lease Supplement" as such term is defined in the Lease and is hereinafter used with the same meaning), covering the Aircraft; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Lessee and the Owner Participant have entered into a Tax Indemnity Agreement, dated as of the date hereof, relating to the Aircraft (such Tax Indemnity Agreement, as the same may be amended or supplemented from time to time, being herein called the "Tax Indemnity Agreement");

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

SECTION 1. Sale and Purchase; Participation in Lessor's Cost for Aircraft; Terms of Certificates. (a) Sale and Purchase. Subject to the terms and conditions of this Agreement, the Lessee agrees to sell to the Owner Trustee, and the Owner Trustee agrees to purchase from the Lessee, the Aircraft on the Delivery Date, and, in connection therewith, the Owner Trustee agrees to pay to the Lessee the purchase price of \$69,000,000 ("Lessor's Cost").

(b) Participation in Lessor's Cost. Subject to the terms and conditions of this Agreement, (i) the Owner Participant hereby agrees to participate in the payment of Lessor's Cost for the Aircraft by making an investment in the beneficial ownership of the Aircraft in the amount set forth opposite its name in Schedule I hereto, and (ii) the Original Loan Participant hereby agrees to participate in the payment of Lessor's Cost for the Aircraft by making a non-recourse secured loan to the Owner Trustee

in the amount set forth opposite its name in Schedule I hereto, such loan to be evidenced by one or more Certificates issued to the Original Loan Participant by the Owner Trustee in the manner described herein and in the Indenture. The amount of the Owner Participant's participation required to be made as above provided in the payment of Lessor's Cost is hereinafter called the Owner Participant's "Commitment" for the Aircraft and the amount of the Original Loan Participant's participation required to be made as above provided in the payment of Lessor's Cost is hereinafter called the Original Loan Participant's "Commitment" for the Aircraft.

(c) Prepayment of Certificates; Determination of Debt Rate.

Each of the Loan Participants and the Owner Participant hereby agrees that, notwithstanding anything to the contrary contained in this Participation Agreement, the Lease, the Trust Indenture, the Certificates, or the Trust Agreement, without the prior written consent of the Lessee, the Owner Trustee shall not take any action with respect to the Certificates concerning the optional prepayment of such Certificates (except as provided in Section 2.13 of the Trust Indenture), or the selection of the Debt Rate to be borne at any time or from time to time by such Certificates, or the Interest Periods to be applicable to the calculation of interest on the Certificates. The Owner Trustee hereby irrevocably appoints and authorizes the Lessee to act as its exclusive agent (and agrees that it will not act other than through the Lessee, as such agent) for the purpose of selecting the durations of the Interest Periods to be applicable from time to time to calculations of interest on the Certificates and designating the Debt Rate from time to time to be borne on the Certificates. Each of the Indenture Trustee, the Owner Participant and each Loan Participant hereby consents to such appointment and authorization. In taking any actions as agent of the Owner Trustee as aforesaid, the Lessee shall be authorized to deal directly with the Indenture Trustee and the Loan Participants, and the Owner Participant, the Owner Trustee, each Loan Participant and the Indenture Trustee each agrees to cooperate with the Lessee and the Original Loan Participant and otherwise to do all things and take all actions reasonably necessary to effect the actions taken by the Lessee as the agent of the Owner Trustee under this Section 1(c). Except to the extent otherwise provided in Section 2.01 of the Trust Indenture, the Debt Rate applicable to the Loan Certificates for each Interest Period shall be determined by election of the

Lessee (as agent for the Owner Trustee) by delivering telephonic notice to the Original Loan Participant (at all times prior to July 9, 1995, and, subsequent to such date, for so long as it holds any Loan Certificates, and thereafter to each Loan Participant), followed in each case by telexed, telecopied or other written confirmation given so as to be effective by 1:00 p.m. (New York City time) on the date of such telephonic notice (with a copy to the Indenture Trustee and the Owner Trustee), not less than three London Business Days prior to the beginning of the applicable Interest Period, in the case of a LIBOR Loan, and not later than 11:00 A.M. (New York City time) on the second New York Business Day preceding the beginning of the applicable Interest Period, in the case of a Short Period Rate Loan, specifying the duration of such Interest Period and whether the Debt Rate for such Interest Period shall be determined by reference to the LIBOR Rate or the Short Period Rate. The Indenture Trustee shall provide to each Loan Participant other than the Original Loan Participant a copy of any notice provided by the Lessee to the Original Loan Participant pursuant to the immediately preceding sentence promptly after receipt thereof. Notwithstanding the foregoing, the Lessee may only select a Short Period Rate (i) during any period, and from time to time during such period, in which the Lessee is in contemplation of a proposed prepayment of the Loan Certificates pursuant to Section 2.12 or 2.14 of the Trust Indenture (whether or not a notice of prepayment has been given pursuant to Section 2.12 or 2.14 of the Trust Indenture) or (ii) at any time when the selection of a LIBOR Rate would result in the succeeding Interest Period commencing on a day other than the ninth day of a calendar month. The Original Loan Participant (at all times prior to July 9, 1995, and, subsequent to such date, for so long as it holds any Loan Certificates, and thereafter to each Loan Participant) shall provide to each of the Owner Participant, the Owner Trustee, each other Loan Participant, the Indenture Trustee and the Lessee an officer's certificate setting forth the applicable interest rate and the interest expected to accrue on the Loan Certificates during the applicable Interest Period promptly after the commencement of such Interest Period and, as soon as practicable prior to each Lease Period Date (but in no event later than 11:00 A.M. New York City time on the Business Day immediately preceding such Lease Period Date), shall provide such notification of the aggregate amount of interest that will be actually due and payable on the Loan Certificates on such Lease Period Date.

SECTION 2. Delivery Date; Procedure for Participation in Payment of Lessor's Cost for the Aircraft. (a) Delivery Date. The Lessee agrees to give the Owner Participant, the Original Loan Participant, the Indenture Trustee and the Owner Trustee notice by telex, telegraph, facsimile or other form of telecommunication or telephone (to be promptly confirmed in writing) of the Delivery Date for the Aircraft not later than 5:00 P.M., New York City time, on the second Business Day preceding the Delivery Date for the Aircraft, which notice shall specify the amount of Lessor's Cost for the Aircraft. Subject to the terms and conditions of this Agreement, prior to 11:00 A.M., New York City time, on the Delivery Date specified in such notice, the Owner Participant will make the amount of its Commitment available to the Owner Trustee, and the Original Loan Participant will make the amount of its Commitment available to the Owner Trustee, by transferring or delivering such amount, in funds immediately available on the Delivery Date, to the Owner Trustee, either directly to, or for deposit in, the Owner Trustee's account at The Chase Manhattan Bank, N.A., Account No. 920-1-014363.

(b) Procedure for Participation in Payment of Lessor's Cost for the Aircraft. Upon receipt by the Owner Trustee of the full amount of the Owner Participant's Commitment and the Original Loan Participant's Commitment in respect of the Aircraft on the Delivery Date, the Owner Trustee shall, subject to the conditions set forth in Section 4 having been fulfilled to the satisfaction of (or waived in writing by) the Owner Participant and the Original Loan Participant (as the case may be), pay to the Lessee from the funds then held by it, in immediately available funds, an amount equal to the Lessor's Cost payable to the Lessee on the Delivery Date by the Owner Trustee pursuant hereto, and simultaneously therewith the Lessee shall deliver the Aircraft to the Owner Trustee, and the Owner Trustee shall accept the Aircraft, under the Lease. The acceptance of the Aircraft by the Owner Trustee and the Lessee, respectively, shall be conclusively evidenced by the execution and delivery of the Lease Supplement by the Owner Trustee and the Lessee. Each of the Indenture Trustee, the Owner Trustee and the Lessee shall take all actions required to be taken by it in connection therewith and pursuant to this Section 2(b).

SECTION 3. Owner Participant's Instructions to the Owner Trustee; Confirmation of Authorizations. (a) Owner Participant's Instructions to the Owner Trustee. The Owner Participant agrees that the making of the amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof shall constitute, without further act, authorization and direction by the Owner Participant to the Owner Trustee, subject to the conditions set forth in Section 4 having been fulfilled to the satisfaction of the Owner Participant or waived by the Owner Participant, to take the actions specified in Section 3.01 of the Trust Agreement with respect to the Aircraft.

(b) Confirmation of Authorizations. The Owner Participant agrees, in the case of any Replacement Aircraft or Replacement Engine substituted pursuant to clause (i) of Section 10(a) or pursuant to Section 9(g) or 10(b) of the Lease, that it will authorize and direct the Owner Trustee to take the actions specified in such Sections of the Lease with respect to such Replacement Aircraft or Replacement Engine upon due compliance with the terms and conditions set forth in such Sections of the Lease with respect to such Replacement Aircraft or Replacement Engine.

SECTION 4. Conditions Precedent to Participation. The obligation of each of the Original Loan Participant and the Owner Participant to participate in the payment of Lessor's Cost for the Aircraft is subject to the fulfillment to the satisfaction of or waiver in writing by the Original Loan Participant or the Owner Participant, as the case may be, prior to or on the Delivery Date, of the following conditions precedent (except that paragraphs (T), (U) and (X) of this Section 4 shall not be conditions precedent to the obligations of the Original Loan Participant hereunder and paragraphs (M), (Q), (V) and (Z) of this Section 4 shall not be conditions precedent to the obligations of the Owner Participant hereunder):

(A) Each of the Owner Participant and the Original Loan Participant shall have received (or waived in writing) due notice with respect to its participation pursuant to Section 2.

(B) No change shall have occurred after the date of this Agreement in applicable law or regula-

tions thereunder or interpretations or guidelines thereof by appropriate regulatory authorities or any court which in the opinion of the Owner Participant or the Original Loan Participant would make it illegal for the Lessee, the Indenture Trustee, the Owner Trustee or any Participant to execute, deliver and perform the Operative Documents to which it is a party or for the Owner Participant or the Original Loan Participant, as the case may be, to make such participation or would be a violation of such law, regulations or guidelines.

(C) In the case of the Original Loan Participant, the Owner Participant shall have concurrently made available to the Owner Trustee the aggregate amount of its Commitment for the Aircraft in accordance with Section 2 hereof; in the case of the Owner Participant, the Original Loan Participant shall have concurrently made available to the Owner Trustee the aggregate amount of its Commitment for the Aircraft in accordance with Section 2 hereof; and in the case of the Original Loan Participant, there shall have been duly issued and delivered by the Owner Trustee to the Original Loan Participant, against payment therefor, one or more Certificates in connection with the Aircraft, substantially in the form set forth in Section 2.01 of the Trust Indenture, dated the Delivery Date and issued in the name of the Original Loan Participant, and as otherwise provided in the Trust Indenture.

(D) All approvals and consents of any trustee or holder of any indebtedness or obligations of the Lessee which are required in connection with any transaction contemplated by this Agreement shall have been duly obtained.

(E) This Agreement and the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto (except that the execution and delivery of this Agreement or any of the following documents by a party hereto or thereto shall not be a condition precedent to such party's obligations hereunder), shall be in form and substance satisfactory to the Owner Participant and the Original Loan Participant, in full force and effect and executed counterparts of each thereof (or copies where indicated) shall have

been delivered to the Owner Participant and the Original Loan Participant or their respective special counsel:

- (i) the Lease;
- (ii) a Lease Supplement covering the Aircraft dated the Delivery Date;
- (iii) the Trust Agreement;
- (iv) the Trust Indenture, and a Trust Agreement and Indenture Supplement covering the Aircraft dated the Delivery Date;
- (v) a copy of the Purchase Agreement (with the exception that certain confidential or proprietary information may be redacted therefrom and certain exhibits and supplements thereto need not be delivered to the Owner Participant or the Original Loan Participant);
- (vi) the Purchase Agreement Assignment, with the Consent and Agreement and the Agreement of Subsidiary attached thereto;
- (vii) the Tax Indemnity Agreement (for the Owner Participant only);
- (viii) a copy of the bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Manufacturer in favor of the Manufacturer's Subsidiary and dated on or prior to the Delivery Date (the "Manufacturer's FAA Bill of Sale"), a copy of the bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Manufacturer's Subsidiary in favor of the Lessee and dated the Delivery Date (the "Manufacturer's Subsidiary's FAA Bill of Sale"), and a copy of the form of warranty (as to title) bill of sale for the Aircraft to be executed by the Manufacturer's Subsidiary in favor of the Lessee, dated the Delivery Date and specifically referring to

each Engine, as well as to the Airframe, constituting a part of the Aircraft;

(ix) a bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Lessee in favor of the Owner Trustee and dated the Delivery Date (the "FAA Bill of Sale") (original filed with the Federal Aviation Administration and copies to all the parties);

(x) a warranty (as to title) bill of sale for the Aircraft (together with the FAA Bill of Sale collectively called "Bills of Sale"), executed by the Lessee in favor of the Owner Trustee, dated the Delivery Date and specifically referring to each Engine, as well as to the Airframe, constituting a part of the Aircraft (original to the Indenture Trustee and copies to all the parties);

(xi) an incumbency certificate of the Lessee as to the person or persons authorized to execute and deliver the Operative Documents to which it is a party and any other documents to be executed on behalf of the Lessee in connection with the transactions contemplated hereby and the signatures of such person or persons; and

(xii) an insurance report of an independent insurance broker and the certificates of insurance, each in form and substance satisfactory to each Participant, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(F) A Uniform Commercial Code financing statement or statements covering the security interest created by the Trust Indenture shall have been executed and delivered by the Owner Trustee, as debtor, and by the Indenture Trustee, as secured party, and such financing statement or statements shall have been duly filed in all places necessary or desirable within the State of Delaware, and a Uniform Commercial Code financing statement or statements describing the Lease as a lease shall have been executed and

delivered by the Owner Trustee and the Lessee, and such financing statements shall have been duly filed in all places necessary or desirable within the State of Texas;

(G) Each of the Owner Participant and the Original Loan Participant (acting directly or by authorization to their respective special counsel) shall have received the following, in each case in form and substance satisfactory to it:

(i) a copy of the resolutions of the Board of Directors of the Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the purchase of the Airframe and the Engines by the Lessee, the sale of the Aircraft by the Lessee pursuant to the Bills of Sale, the lease by the Lessee of the Aircraft under the Lease and the execution, delivery and performance by the Lessee of each of the Operative Documents to which it is or will be a party and each of the other documents required to be executed and delivered by the Lessee in accordance with the provisions hereof;

(ii) a copy of the resolutions of the Board of Directors of the Owner Trustee in its individual capacity certified by the Secretary or an Assistant Secretary of the Owner Trustee, duly authorizing the execution, delivery and performance by the Owner Trustee, in its individual capacity, of the Trust Agreement, and acting pursuant thereto, as trustee, or in its individual capacity as expressly provided therein, as appropriate, of each of the other Operative Documents to which the Owner Trustee is or will be a party in either such capacity and any other documents to be executed by or on behalf of the Owner Trustee, in its individual capacity or as trustee, as appropriate, in connection with the transactions contemplated hereby;

(iii) a copy of the articles of association and by-laws of the Indenture Trustee, certified by the Secretary or an Assistant Secretary of the Indenture Trustee, which by-laws contain a provision duly authorizing the execution, de-

livery and performance by the Indenture Trustee of each of the Operative Documents to which the Indenture Trustee is or will be a party and any other documents to be executed by or on behalf of the Indenture Trustee in connection with the transactions contemplated hereby; and

(iv) such other documents and evidence with respect to the Lessee, the Owner Trustee, the Owner Participant, or the Indenture Trustee as the Owner Participant or the Original Loan Participant, as appropriate, may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate and other proceedings in connection therewith and compliance with the conditions herein or therein set forth.

(H) On the Delivery Date, the following statements shall be correct, and each of the Owner Participant and the Original Loan Participant shall have received evidence satisfactory to it to the effect that:

(i) the Owner Trustee has good title (subject to filing and recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens (and of any rights of creditors to set aside the sale of the Aircraft by the Lessee) other than the rights and interests of the Owner Trustee and the Lessee under the Lease and the Lease Supplement covering the Aircraft, the Lien of, and the security interest created by, the Trust Indenture, the rights of the Indenture Trustee under the Trust Indenture, and the beneficial interest of the Owner Participant created by the Trust Agreement and the Trust Agreement and Indenture Supplement covering the Aircraft and other Liens of the type permitted by clauses (i), (iii) (other than Lessor's Liens) and (vii) of Section 6 of the Lease;

(ii) the Aircraft has been duly certified by the Federal Aviation Administration as to type and airworthiness in accordance with the

terms of the Lease and has a current valid United States standard certificate of airworthiness issued by the Federal Aviation Administration;

(iii) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall have been duly filed for recordation with the Federal Aviation Administration pursuant to the Federal Aviation Act;

(iv) application for registration of the Aircraft in the name of the Owner Trustee shall have been duly made with the Federal Aviation Administration;

(v) the Lessee has the regulatory authority required in order to operate the Aircraft on the Lessee's routes; and

(vi) to the best knowledge of the Lessee, there exist no Permitted Liens of the type described in clause (iv), (v) or (vi) of Section 6 of the Lease.

(I) On the Delivery Date for the Aircraft, the following statements shall be correct: (i) in the case of each of the Owner Trustee, the Owner Participant, the Original Loan Participant and the Indenture Trustee, the representations and warranties of the parties hereto other than itself are correct as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date), (ii) no material adverse change shall have occurred in the financial condition of the Lessee and its consolidated subsidiaries from that shown in the audited consolidated balance sheet of the Lessee and its consolidated subsidiaries as of December 31, 1991, (iii) no event has occurred and is continuing, or would result from the purchase, sale or lease of the Aircraft or the performance by the Lessee of its obligations under the Operative Docu-

ments, which constitutes an Event of Default or an Event of Loss or would constitute an Event of Default or an Event of Loss but for the requirement that notice be given or time elapse or both and (iv) no law, regulation or regulatory order (other than any Change in Tax Law) applicable to the Owner Participant or the Original Loan Participant or to the participation by either of them in the transactions contemplated hereby, shall have been enacted, issued or proposed prior to the Delivery Date that would have a material adverse effect on the ability of the Owner Participant or the Original Loan Participant to participate in the transactions contemplated hereunder.

(J) Each of the Owner Participant and the Original Loan Participant shall have received opinions addressed to it from Debevoise & Plimpton, special counsel for the Lessee, and from Anne H. McNamara, Esq., Senior Vice President-Administration and General Counsel of the Lessee, substantially in the respective forms set forth in Exhibit V and Exhibit VI hereto.

(K) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Potter Anderson & Corroon, special counsel for the Owner Trustee, substantially in the form set forth in Exhibit VII hereto.

(L) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Powell, Goldstein, Frazer & Murphy, special counsel for the Indenture Trustee, substantially in the form set forth in Exhibit VIII hereto.

(M) The Original Loan Participant shall have received (x) an opinion addressed to it from each of Sidley & Austin, special counsel for the Owner Participant, and G. Daniel McCarthy, General Counsel of the Owner Participant, substantially in the forms set forth in Exhibit IX hereto and (y) an opinion, in form and substance satisfactory to the Original Loan Participant, from Vedder, Price, Kaufman & Kammholz, special counsel for the Original Loan Participant.

(N) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, substantially in the form set forth in Exhibit X hereto.

(O) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from counsel to the Manufacturer, substantially in the form set forth in Exhibit XI hereto.

(P) Each of the Owner Participant and the Original Loan Participant shall have received a certificate signed by the chief financial or accounting officer, any Senior Vice President, the Treasurer, any Vice President, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Lessee, dated the Delivery Date, certifying as to the correctness of each of the matters stated in paragraph (I) (except insofar as the same relate to the Owner Trustee, the Indenture Trustee, the Original Loan Participant or the Owner Participant) of this Section 4.

(Q) Each of the Lessee and the Original Loan Participant shall have received a certificate from the Owner Participant, dated the Delivery Date, signed by the President, any Senior Vice President or any Vice President of the Owner Participant, certifying that no Lessor's Liens attributable to the Owner Participant exist, and further certifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Owner Participant) of this Section 4.

(R) Each of the Owner Participant, the Lessee and the Original Loan Participant shall have received a certificate from the Owner Trustee, dated the Delivery Date, signed by an authorized officer of the Owner Trustee, certifying that no Lessor's Liens attributable to the Owner Trustee exist, that Wilmington Trust Company has duly delivered to the Office of the Superintendent of the Banking Department of the State of New York an application for qualification under Section 131(3) of the New York Banking Law with respect to its functioning as Owner Trustee under the Trust Agreement, and further cer-

tifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Owner Trustee in its individual capacity or as Owner Trustee) of this Section 4.

(S) The Owner Participant, the Owner Trustee, the Lessee and the Original Loan Participant shall have received a certificate from the Indenture Trustee, dated the Delivery Date, signed by an authorized officer of the Indenture Trustee, certifying that no Trustee's Liens exist, and further certifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Indenture Trustee) of this Section 4.

(T) The Owner Participant shall have received from Sidley & Austin, special counsel to the Owner Participant, a favorable opinion, in form and substance satisfactory to the Owner Participant, with respect to certain Federal income tax aspects of the transactions contemplated by the Operative Documents.

(U) The Owner Participant shall have received an opinion, in form and substance reasonably satisfactory to the Owner Participant, from BK Associates, Inc., independent aircraft appraisers, or such other recognized aircraft appraiser selected by the Owner Participant, to the effect that (A) the Aircraft will have, at the end of the Term and the first Renewal Term, (i) at least 20% of its economic life remaining and (ii) a fair market value of at least 20% of Lessor's Cost (without taking into account any increase or decrease for inflation or deflation during the Term and the first Renewal Term); (B) the fair market value of the Aircraft on the Delivery Date is equal to Lessor's Cost; and (C) the Special Purchase Price, prior to any adjustment thereto, equals or exceeds a reasonable current estimate of the fair market value (taking into account a reasonable estimate for inflation and deflation) of the Aircraft as of July 9, 2012.

(V) The Original Loan Participant shall have received a copy of the opinion described in clause (U) above (provided that the Original Loan Participant shall have executed a written waiver satisfactory to the Owner Participant of any claim it

may have against the Owner Participant arising therefrom) and such opinion shall be in form and substance reasonably satisfactory to it.

(W) All appropriate action required to have been taken on or prior to the Delivery Date in connection with the transactions contemplated by this Participation Agreement and the other Operative Documents shall have been taken by the Federal Aviation Administration, or any governmental or political agency, subdivision or instrumentality of the United States, and all orders, permits, waivers, authorizations, exemptions and approvals of such entities required to be in effect on the Delivery Date in connection with the transactions contemplated by this Participation Agreement and the other Operative Documents shall have been issued, and all such orders, permits, waivers, authorizations, exemptions and approvals shall be in full force and effect on the Delivery Date.

(X) In the opinion of the Owner Participant and its special counsel, there shall have been since January 1, 1992, no amendment, modification, addition, or change in or to the provisions of the Code (including for this purpose, any non-Code provisions of legislation affecting the Code such as transition rules or effective date provisions) and the regulations promulgated under the Code (including temporary regulations), Internal Revenue Service Revenue Procedures or Revenue Rulings, or other administrative interpretations, applicable judicial precedents or Executive Orders of the President of the United States, as in effect on the date hereof, the effect of which might preclude the Owner Participant from obtaining any of the income tax benefits and consequences assumed to be available to the Owner Participant as set forth in Section 1 of the Tax Indemnity Agreement.

(Y) No action or proceeding shall have been instituted nor shall governmental action be threatened before any court or governmental agency, nor shall any order, judgment or decree have been issued or proposed to be issued by any court or governmental agency at the time of the Delivery Date to set aside, restrain, enjoin or prevent the completion and consummation of this Participation Agreement and the

other Operative Documents or the transactions contemplated hereby and thereby.

(Z) The Indenture Trustee, on behalf of the Original Loan Participant, shall have a duly perfected first priority security interest in the Indenture Estate, subject only to Permitted Liens (other than Lessor's Liens and Trustee's Liens).

Promptly upon the registration of the Aircraft and the recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease (with the Lease Supplement covering the Aircraft, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached) and the Trust Indenture (with the Trust Agreement and such Trust Agreement and Indenture Supplement attached) pursuant to the Federal Aviation Act, the Lessee will cause Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, to deliver to each Participant, the Owner Trustee, the Indenture Trustee and the Lessee an opinion as to the due registration of the Aircraft, and the due recording of such instruments and the lack of filing of any intervening documents with respect to the Aircraft.

SECTION 5. Postponement of Delivery Date. (a) In the event that (i) the Original Loan Participant shall for any reason fail or refuse to make the full amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof, or (ii) the Owner Participant shall for any reason fail or refuse to make the full amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof, the Owner Trustee will forthwith give each party hereto telex, facsimile or telegraphic notice of such default and the Delivery Date for the Aircraft will be postponed up to the fifth succeeding Business Day as the Lessee may direct (and the term "Delivery Date" as used in this Agreement shall thereafter mean such postponed "Delivery Date"); provided that such postponed Delivery Date shall not be a date later than July 31, 1992. During such period, the Lessee shall have the right to find another leasing or financial institution to be substituted for the non-participating Original Loan Participant or Owner Participant, as the case may be; provided that in either event the institution so substituted shall sign and deliver an agreement, in

form and substance satisfactory to the Lessee, by which it will assume the balance of the Commitment of the non-participating Original Loan Participant or Owner Participant, as the case may be. Upon the execution and delivery of such agreement, the institution so substituted shall become the Original Loan Participant or the Owner Participant, as the case may be, and shall be deemed substituted for the non-participating Participant, for all purposes of this Agreement, the Trust Agreement, the Trust Indenture, and the Lease and to have assumed all obligations of the non-participating Participant thereunder which accrue after the date of execution and delivery. No action by the Lessee under this Section 5(a) shall be deemed to constitute a waiver or release of any right which the Lessee may have against the defaulting Participant. In the event that the Lessee cannot find another institution to be substituted for the non-participating Participant within such five Business Day period, then, in such event (i) the Owner Trustee shall not accept delivery of the Aircraft and (ii) this Agreement, the Trust Agreement, the Trust Indenture, the Lease and the Purchase Agreement Assignment and the other Operative Documents shall terminate and be of no further force or effect except as expressly provided herein or therein.

(b) A scheduled Delivery Date for the Aircraft may be postponed from time to time for any reason (but no later than July 31, 1992), other than pursuant to Section 5(a) hereof, if the Lessee gives the Owner Participant, the Original Loan Participant, the Indenture Trustee and the Owner Trustee telex, telegraphic, facsimile or telephonic (confirmed in writing) notice of such postponement and notice of the date to which such Delivery Date has been postponed, such notice of postponement to be received by each party no later than 2:00 P.M., New York City time, on the originally scheduled Delivery Date (and the term "Delivery Date" as used in this Agreement shall thereafter mean such postponed "Delivery Date").

(c) In the event of any postponement of the Delivery Date pursuant to Section 5(a) or 5(b) hereof, or if on an originally scheduled Delivery Date not postponed as above provided the Aircraft is not delivered to the Lessor by 3:00 P.M. or, if delivered, is not accepted by the Owner Trustee for any reason, the Owner Trustee will return by 4:00 P.M. on such date any funds which it shall have received from any Participant as its Commitment for the Aircraft, absent joint instruction from the Lessee and

such Participant to retain funds until the specified date of postponement established under Section 5(a) or 5(b).

(d) Notwithstanding the provisions of this Section 5, no Participant shall be under any obligation to make its Commitment available beyond 3:00 P.M., New York City time, on July 31, 1992.

SECTION 6. Extent of Interest of Loan Participants. A Loan Participant shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal of, premium, if any, and interest on all Certificates held by such Loan Participant and all other sums payable to such Loan Participant hereunder, under the Trust Indenture and under such Certificates shall have been paid in full. By acceptance of a Certificate, each Loan Participant agrees that it will look solely to the income and proceeds from the Indenture Estate to the extent available for distribution to such Loan Participant as provided in Section 2.05 of the Trust Indenture and that neither the Owner Participant nor the Owner Trustee shall be personally liable to such Loan Participant for any amounts payable under the Certificates, the Trust Indenture or hereunder, except as expressly provided in the Operative Documents.

SECTION 7. Lessee's Representations, Warranties and Indemnities. (a) In General. The Lessee represents and warrants that:

(i) the Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware, is an "air carrier" within the meaning of the Federal Aviation Act, operating under certificates issued under Section 401 of such Act, is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, and has the corporate power and authority to own or hold under lease its properties and to enter into and perform its obligations under the Operative Documents to which it is a party, and is duly qualified to do business as a foreign corporation in good standing in each state in which it has intrastate routes or has a principal office or a major overhaul facility, and its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code as in effect in the State of Texas) is located in Fort Worth, Texas;

(ii) the execution, delivery and performance of the Operative Documents to which the Lessee is a party have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, or approval or consent of any trustee or holder of any indebtedness or obligations of the Lessee, and do not contravene any law, governmental rule, regulation or order binding on the Lessee or the Certificate of Incorporation or By-Laws of the Lessee or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than as permitted under the Lease) upon the property of the Lessee or on the Aircraft under, any indenture, mortgage, contract or other agreement to which the Lessee is a party or by which it or any of its properties may be bound or affected;

(iii) neither the execution and delivery by the Lessee of the Operative Documents to which it is a party, nor the consummation of any of the transactions by the Lessee contemplated hereby or thereby, requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, or any other Federal, state, local or foreign governmental authority or agency, other than the registration and filings referred to in Section 7(a)(viii);

(iv) this Agreement has been duly executed and delivered and constitutes, and each other Operative Document to which the Lessee is a party has been duly executed and delivered and constitutes, a legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and except, in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not make the remedies provided in the Lease inadequate for the practical realization of the rights and benefits provided thereby;

(v) there are no pending or threatened actions or proceedings before any court, governmental authority or administrative agency or arbitrator which would materially adversely affect the consolidated financial condition of the Lessee and its consolidated subsidiaries, taken as a whole, or the ability of the Lessee to perform its obligations under the Operative Documents to which it is a party;

(vi) the Lessee and its subsidiaries have filed or caused to be filed all Federal, state, local and foreign tax returns which are required to be filed and have paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by the Lessee or any of its subsidiaries, to the extent that such taxes have become due and payable; the Federal income tax liability, if any, of the Lessee has been determined by the Internal Revenue Service (or the statute of limitations has expired with respect to a redetermination of such liability) and (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) paid for all years prior to and including the fiscal year ended December 31, 1984; the Federal income tax returns of the Lessee for the fiscal years ended December 31, 1985 to December 31, 1990, inclusive, are subject to examination by the Internal Revenue Service;

(vii) the audited consolidated balance sheet of the Lessee and its subsidiaries as of the end of each of its last three fiscal years, and the related consolidated statements of operations and cash flows for the three fiscal years then ended, fairly present the consolidated financial position of the Lessee and its consolidated subsidiaries as at the end of each such fiscal year and the consolidated results of their operations and cash flows for each such fiscal year in accordance with generally accepted accounting principles applied on a consistent basis (except as may be noted in such financial statements); since December 31, 1991, there has been no material adverse change in such consolidated financial position of the Lessee and its consolidated subsidiaries, taken as a whole;

(viii) except for the registration of the Aircraft, pursuant to the Federal Aviation Act, and except for the filing for recording pursuant to said Act of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, the Lease (with the Lease Supplement covering the Aircraft, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached), the Trust Agreement and the Trust Indenture (with such Lease Supplement and such Trust Agreement and Indenture Supplement attached), no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction), is necessary or advisable in order to establish and perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties (other than the filing of a financing statement in respect thereof under Article 9 of the Uniform Commercial Code as in effect in the State of Texas), or to perfect the security interest in the Owner Trustee's interest in the Aircraft created under the Trust Indenture in favor of the Indenture Trustee (with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to Section 503(a) of the Federal Aviation Act) and in the Lease (to the extent that the Lease does not constitute chattel paper as such term is defined in the Uniform Commercial Code) in any applicable jurisdiction in the United States;

(ix) the Lessee is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended;

(x) the Lessee is not in default in the performance of any term or condition of the Purchase Agreement which materially adversely impairs the transactions contemplated hereby;

(xi) none of the proceeds from the issuance of the Certificates or from the acquisition by the Owner Participant of its beneficial interest in the Trust Estate will be used directly or indirectly by the

Lessee to purchase or carry any "margin stock" as such term is defined in Regulation G of the Board of Governors of the Federal Reserve System; and

(xii) the Lessee has not voluntarily subjected the Aircraft to any lease or mortgage, the existence of which has not been disclosed to the Lessor.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, IN THE PURCHASE AGREEMENT ASSIGNMENT, OR IN THE LEASE TO THE CONTRARY, EXCEPT TO THE EXTENT SPECIFICALLY PROVIDED IN THE WARRANTY BILL OF SALE REFERRED TO IN Section 4(E)(x), THE LESSEE DOES NOT MAKE NOR SHALL THE LESSEE BE DEEMED TO HAVE MADE, AND THE LESSEE HEREBY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE WORKMANSHIP, DESIGN, PATENT INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR USE OF THE AIRCRAFT AS OF THE DELIVERY DATE. NOTHING CONTAINED IN THE PRECEDING SENTENCE SHALL BE INTERPRETED TO BE IN DEROGATION OF OR CONSTRUED TO LIMIT THE LESSEE'S INDEMNITY OBLIGATIONS HEREUNDER OR TO EXCUSE THE PERFORMANCE BY THE LESSEE OF ITS OBLIGATIONS UNDER THIS AGREEMENT, ANY OTHER OPERATIVE DOCUMENT OR THE BILLS OF SALE.

(b) General Indemnity. (1) Claims Defined. For the purposes of this Section 7(b), "Claims" shall mean any and all liabilities, obligations, losses, damages, penalties, claims, actions or suits of whatsoever kind and nature (whether or not on the basis of negligence, strict or absolute liability or liability in tort) which may be imposed on, incurred by, suffered by, or asserted against an Indemnitee, as defined herein, and, except as otherwise expressly provided in this Section 7(b), shall include all costs, disbursements and expenses (including reasonable legal fees and expenses) of an Indemnitee in connection therewith or related thereto.

(2) Indemnitee Defined. For the purposes of this Section 7(b), "Indemnitee" means the Owner Trustee (in both its individual capacity and as Owner Trustee), the Owner Participant (and, so long as the Owner Participant is a direct or indirect subsidiary of American Telephone and Telegraph Company, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), any Loan Participant, the Indenture Trustee (in both its individual capacity and as Indenture Trustee), Credit (as defined in the Tax Indemnity Agreement) and their respective successors and permitted assigns, directors, officers, employees, agents and servants (the

respective successors and permitted assigns, directors, officers, employees, agents and servants of (a) the Owner Trustee, together with the Owner Trustee, (b) the Owner Participant (and, if applicable, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), together with the Owner Participant (and, if applicable, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), (c) any Loan Participant, together with such Loan Participant, (d) the Indenture Trustee, together with the Indenture Trustee, and (e) Credit, together with Credit, being in each case referred to herein collectively as the "Related Indemnitee Group" for each such party).

(3) Claims Indemnified. Subject to the exclusions stated in subsection (4) below, whether or not any of the transactions contemplated hereby shall be consummated, the Lessee agrees to indemnify, protect, defend and hold harmless on an After-Tax Basis each Indemnitee against Claims in any way resulting from or arising out of (i) the Operative Documents or any sublease under the Lease or the enforcement of any of the terms thereof, or any amendment, modification or waiver in respect thereof or any of the transactions contemplated hereby or thereby, (ii) the purchase, acceptance or rejection of the Aircraft, the Airframe, any Engine, engine or Part (or any portion thereof) hereunder, (iii) the manufacture, design, purchase, resale, acceptance, non-acceptance or rejection of the Aircraft hereunder or under the Lease, (iv) the Aircraft, whether or not arising out of the ownership, delivery, non-delivery, lease, sublease, possession, use, non-use, substitution, airworthiness, state of airworthiness, control, maintenance, repair, operation, registration, condition, sale, storage, modification, alteration, return, transfer or other disposition of the Aircraft, the Airframe, any Engine, any engine installed on the Airframe or any Part (or portion thereof) (including, without limitation, latent or other defects, whether or not discoverable, strict tort liability, and any claim for patent, trademark or copyright infringement), (v) any breach of or failure to perform or observe, or any other non-compliance with, any covenant, condition or agreement or other obligations to be performed by the Lessee under any Operative Document or the falsity of any representation or warranty of the Lessee in any of the Operative Documents, other than covenants, conditions, agreements, obligations, representations and warranties in the Tax Indemnity Agreement, or (vi) the offer, sale or

delivery of any Certificates or any interest in the Trust Estate. Without limitation of the foregoing, the Lessee agrees to pay the reasonable ongoing fees, and the reasonable ongoing out-of-pocket costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and, to the extent payable as provided in the Trust Indenture, reasonable compensation and expenses of the Indenture Trustee's agents), of the Owner Trustee and the Indenture Trustee in connection with the transactions contemplated by the Operative Documents.

(4) Claims Excluded. The following are excluded from the Lessee's agreement to indemnify any Indemnatee under this Section 7(b):

(i) Any Claim to the extent caused by acts or events occurring after the earlier of (x) the return of the Aircraft under the Lease (it being understood that the date of the placement of the Aircraft in storage as provided in Section 5(d) of the Lease constitutes the date of return of the Aircraft under the Lease), and (y) the expiration or earlier termination of the Lease under circumstances not requiring the return of the Aircraft, unless and to the extent such Claim is attributable to acts occurring in connection with the exercise of remedies pursuant to Section 15 of the Lease following the occurrence and continuance of an Event of Default thereunder;

(ii) Any Claim to the extent attributable to a Tax, or any Claim of the Owner Participant to the extent attributable to a Loss, whether or not Lessee is required to indemnify therefor under Section 7(c) of this Participation Agreement or the Tax Indemnity Agreement, provided that this Section 7(b)(4)(ii) shall not exclude the reasonable out-of-pocket costs, disbursements and expenses incurred with respect to Taxes for which the Lessee is required to indemnify under Section 7(c) of this Participation Agreement;

(iii) Any Claim to the extent caused by the gross negligence or willful misconduct of such Indemnatee or any of its Related Indemnatee Group (other than any gross negligence or willful misconduct imputed as a matter of law to such Indemnatee solely by reason of its status as a party to any of the Operative Documents);

(iv) Any Claim to the extent caused by the noncompliance by such Indemnatee or any of its Related Indemnatee Group with any of the terms of, or any misrepresentation by such Indemnatee or any of its Related Indemnatee Group contained in, this Participation Agreement or any other Operative Document to which such Indemnatee or any of its Related Indemnatee Group is a party or any agreement relating hereto or thereto (except if such representation or warranty was based on an inaccurate representation or warranty of the Lessee);

(v) Any Claim that constitutes a Permitted Lien attributable to such Indemnatee;

(vi) Any Claim to the extent caused by the offer, sale or disposition (voluntary or involuntary) by or on behalf of such Indemnatee of any Certificates or any interest in the Trust Estate or the Trust Agreement, or any similar security, other than a transfer by such Indemnatee of its interests in the Aircraft pursuant to Section 9, 10, 15 or 20 of the Lease and any related provision of the Trust Indenture including, without limitation, Article IV thereof (it being understood that (1) the cancellation of any Loan Certificates in connection with a refinancing under Section 17 or 20 shall not constitute a disposition of Loan Certificates for purposes of this Section 7(b)(4)(vi) and (2) this Section 7(b)(4)(vi) shall not be construed to exclude a Claim against or incurred by the Original Loan Participant by a holder of a participation in the Original Loan Participant's Loan Certificates which arises as a result of a Claim against or incurred by such holder of a participation which would otherwise be an indemnified Claim (as defined in Section 7(b)(1) and not otherwise excluded pursuant to Section 7(b)(4)) if such Claim had been brought directly against or incurred directly by the Original Loan Participant; provided that (except in the case of any participation granted by the Original Loan Participant to NMB Lease N.V.) the Lessee's liability hereunder with respect to any such Claim shall under no circumstances be any greater than such liability would have been had the Original Loan Participant not granted any such participation);

(vii) Any Claim (other than to the extent any such Claim is brought against any Loan Participant or

the Indenture Trustee or the Related Indemnatee of any such Indemnatee) to the extent caused by a failure on the part of the Owner Trustee to distribute in accordance with the Trust Agreement any amounts received and distributable by it thereunder;

(viii) Any Claim (other than to the extent any such Claim is brought against the Owner Participant or the Owner Trustee and the Related Indemnatee Group of such Indemnatee) to the extent caused by a failure on the part of the Indenture Trustee to distribute in accordance with the Trust Indenture any amounts received and distributable by it thereunder;

(ix) Any Claim to the extent caused by the authorization or giving or withholding by such Indemnatee of any future amendments, supplements, waivers or consents with respect to any of this Participation Agreement and the other Operative Documents, other than such as have been requested by or consented to by the Lessee, or such that occur as a result of an Event of Default that shall have occurred and is continuing, or such as are required or contemplated by (and, if contemplated by, in compliance with) the provisions of the Operative Documents in order to give effect thereto;

(x) Any Claim to the extent caused by an Indenture Default that does not also constitute an Event of Default under the Lease;

(xi) Any Claim (other than to the extent any such Claim is brought against any Loan Participant or the Indenture Trustee or the Related Indemnatee of any such Indemnatee) that would not have arisen but for the appointment of a successor or an additional Owner Trustee without the consent of the Lessee;

(xii) Any Claim to the extent caused by the failure of a Person other than the Lessee to pay a cost, fee or expense payable by such Person in accordance with Section 9(a), 9(b), 9(c), 9(e), 9(f), 9(g), 9(j), 16(b), 16(c), or 18(b) hereof, or Section 5(d), 5(f), 9, 10, 11 or 25 of the Lease;

(xiii) Any Claim that is an ordinary and usual operating or overhead expense other than to the extent caused by (a) the occurrence of an Event of

Default or an Event of Loss or (b) circumstances beyond the scope of routine portfolio administration (such routine portfolio administration to be deemed to include tax preparation and other normally occurring administrative tasks but shall not include any administrative obligations of the Lessee under the Operative Documents performed by any Indemnitee);

(xiv) Any Claim to the extent that such Claim relates to amounts payable by the Owner Trustee to the Indenture Trustee in respect of the Break Amount, if any, payable with respect to the Certificates as a result of (x) any prepayment of the Certificates or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (y) an Indenture Default that does not also constitute an Event of Default; and

(xv) Any Claim made by American Telephone and Telegraph Company, AT&T Capital Corporation or any Affiliate of either thereof (other than the Owner Participant), to the extent that such Claim is based on losses suffered by or any decline in the net worth of the Owner Participant (but only to the extent that any such losses or decline in net worth are caused by events for which the Owner Participant is not indemnifiable by the Lessee under the Operative Documents).

A limitation on the Claims of one Indemnitee under this Section 7(b)(4) shall not provide a basis for limiting any Claim of any other Indemnitee.

(5) Insured Claims. In the case of any Claim indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by the Lessee pursuant to Section 11 of the Lease, each Indemnitee agrees to cooperate, at the Lessee's expense, with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim.

(6) Claims Procedure. An Indemnitee shall promptly notify the Lessee of any Claim as to which indemnification is sought, provided that the failure to provide such prompt notice shall not release the Lessee from any of its obligations to indemnify hereunder. Any amount

payable to any Indemnitee pursuant to this Section 7(b) shall be paid within thirty days after receipt of a written demand therefor from such Indemnitee accompanied by a written statement describing in reasonable detail the Claims which are the subject of and basis for such indemnity and the computation of the amount so payable. Subject to the rights of insurers under policies of insurance maintained pursuant to Section 11 of the Lease, so long as no Event of Default under Section 14(f), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing, the Lessee (at its sole cost and expense) shall have the right to investigate, and the right in its sole discretion to defend or compromise, any Claim for which indemnification is sought under this Section 7(b), and the Indemnitee shall cooperate, at the Lessee's expense, with all reasonable requests of the Lessee in connection therewith; provided, however, that so long as an Event of Default under Section 14(a) of the Lease has occurred and is continuing, such Indemnitee shall have the right, along with the concomitant right of the Lessee, to investigate, defend or compromise any such Claim. The Lessee will provide the Indemnitee with such information not within the control of such Indemnitee, as is in the Lessee's control or as reasonably available to the Lessee, which such Indemnitee may reasonably request and shall otherwise cooperate with such Indemnitee so as to enable such Indemnitee to fulfill its obligations under this Section 7(b)(6). Where the Lessee or the insurers under a policy of insurance maintained by the Lessee undertake the defense of an Indemnitee with respect to a Claim, and so long as the Lessee is entitled to control such defense, no additional legal fees or expenses of such Indemnitee in connection with the defense of such Claim shall be indemnified hereunder unless such fees or expenses were incurred at the request of the Lessee or such insurers; provided, however, that if (i) in the written opinion of counsel to such Indemnitee an actual or potential material conflict of interest exists where it is advisable for such Indemnitee to be represented by separate counsel or (ii) such Indemnitee has been indicted or otherwise charged in a criminal complaint and such Indemnitee informs the Lessee that such Indemnitee desires to be represented by separate counsel, the reasonable fees and expenses of any such separate counsel shall be borne by the Lessee. Subject to the requirements of any policy of insurance, an Indemnitee may participate at its own expense in any judicial proceeding controlled by the Lessee pursuant to the preceding provisions; provided that such party's participation does not,

in the reasonable opinion of the independent counsel appointed by the Lessee or its insurers to conduct such proceedings, significantly interfere with such control; and such participation shall not constitute a waiver of the indemnification provided in this Section 7(b). Notwithstanding anything to the contrary contained herein, (x) the Lessee shall not under any circumstances be liable for the fees and expenses of more than one counsel for each of (i) the Owner Participant and the Owner Trustee (and their respective successors and permitted assigns, agents and servants and other members of their respective Related Indemnitee Groups) and (ii) the Loan Participants and the Indenture Trustee (and their respective successors and permitted assigns, agents and servants) except in the case specified in the proviso to the third sentence of this paragraph (6) and (y) the Lessee shall not defend or compromise any Claim if such proceedings will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) on the Airframe, any Engine or any part of any thereof, or the Indenture Estate or the Trust Estate or any part of any thereof, unless the Lessee shall have provided security for Lessee's obligations under this Section 7(b) with respect to such Claim reasonably satisfactory to the relevant Indemnitees in respect to such risk.

(7) Subrogation. To the extent that a Claim indemnified by the Lessee under this Section 7(b) is in fact paid in full by the Lessee and/or an insurer under a policy of insurance maintained by the Lessee pursuant to Section 11 of the Lease, the Lessee and/or such insurer, as the case may be, shall be subrogated to the rights and remedies of the Indemnitee on whose behalf such Claim was paid (other than rights of such Indemnitee under insurance policies maintained at its own expense) with respect to the transaction or event giving rise to such Claim, except that the Lessee shall not be subrogated to any rights or remedies that the Owner Trustee may have against the Owner Participant under Section 7.01 of the Trust Agreement or that the Indenture Trustee may have against the Owner Trustee under Section 7.01 of the Trust Indenture. So long as no Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i) of the Lease) shall have occurred and be continuing, should an Indemnitee receive any refund, in whole or in part, with respect to any Claim paid by the Lessee hereunder, it shall promptly pay the amount refunded (but not an amount in excess of

the amount the Lessee or any of its insurers has paid in respect of such Claim) over to the Lessee. Moreover, if, by reason of any Claim that the Lessee has paid or indemnified against pursuant to this Section 7(b), an Indemnatee realizes an actual reduction in any Taxes that was not previously taken into account in computing a payment by the Lessee pursuant to this Section 7(b), then such Indemnatee shall promptly pay to the Lessee an amount equal to the actual net reduction in Taxes realized by such Indemnatee attributable thereto plus the actual reduction in Taxes realized by such Indemnatee as a result of any payment to the Lessee pursuant to this sentence. Each Indemnatee shall in good faith use reasonable diligence in filing its tax returns and in dealing with taxing authorities to seek and claim any tax benefits that would result in such net reductions in Taxes.

(8) No Guaranty. Nothing set forth in this Section 7(b) shall constitute a guaranty by the Lessee that the Aircraft shall have any particular useful life or residual value or a guaranty to the Indenture Trustee or the Loan Participants that the Certificates will be paid. Each of the Loan Participants agrees that nothing in the Operative Documents other than the provisions of Section 2.18 of the Trust Indenture constitute an indemnity for any Increased Cost or any cost or loss in the nature of an Increased Cost.

(c) General Tax Indemnity. (1) Indemnity. Except as provided in Section 7(c)(2) hereof, the Lessee shall pay or indemnify and hold harmless on an After-Tax Basis each Tax Indemnatee from and against any and all fees (including without limitation license, documentation and registration fees) and all taxes, whether now existing or hereafter adopted (including, without limitation, income, gross receipts, sales, use, value-added, property (tangible and intangible), excise and stamp taxes), levies, imposts, duties, charges or withholdings, together with any penalties, fines or interest thereon or other additions thereto (hereinafter collectively called "Taxes" and individually called a "Tax") imposed against or payable by any Tax Indemnatee (including amounts so payable by any such Tax Indemnatee solely as withholding agent), the Lessee, any sublessee, sub-sublessee or other user of the Aircraft, any Engine, or any Part, or any Affiliate of any such user, or imposed against the Aircraft, any Engine or any Part, by any Federal, state or local government or other taxing authority in the United States or by any

foreign government or by any territory or possession of the United States or by any international authority or by any political subdivision or taxing authority of any of the foregoing (hereinafter, a "Taxing Authority") in connection with or relating to (a) the construction, mortgaging, financing, refinancing, purchase, acquisition, acceptance, rejection, delivery, nondelivery, transport, location, ownership, control, insurance, registration, reregistration, deregistration, assembly, possession, repossession, operation, use, condition, maintenance, repair, sale, return, abandonment, replacement, preparation, installation, storage, redelivery, manufacture, leasing, subleasing, modification, rebuilding, importation, transfer of title, transfer of registration, exportation or other application or disposition of, the Aircraft, any Engine or any Part or any interest in any thereof, (b) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease, (c) any amount paid or payable pursuant to any Operative Document, (d) the Aircraft, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof, (e) any or all of the Operative Documents, any or all of the Certificates or any interest in any or all thereof, or the offering, registration, reregistration, issuance, acquisition, assumption, modification, reissuance, refinancing or refunding of any or all thereof, and any other documents contemplated hereby or thereby and amendments and supplements hereto and thereto, (f) the payment of the principal of, or interest or premium on, or other amounts payable with respect to, any or all of the Certificates, whether as originally issued or pursuant to any refinancing, refunding, assumption, modification or reissuance, or any other obligation evidencing any loan in replacement of the loan evidenced by any or all of the Certificates, (g) any change in the Owner Trustee or the situs of the Trust Estate made pursuant to Section 9(d) hereof, (h) the property, or the income, earnings, receipts or other proceeds received with respect to the property, held by the Indenture Trustee under the Trust Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents.

(2) Exclusions. The provisions of Section 7(c)(1) hereof shall not apply to:

(i) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by the United States Federal government that are on, based on or measured by gross or net income or gross or net receipts of the Owner Participant or any related Tax Indemnatee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnatee;

(ii) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by any state or local taxing jurisdiction in the United States ("State or Local Taxing Authority") that are on, based on or measured by net or gross income or net or gross receipts of the Owner Participant or any related Tax Indemnatee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnatee, provided that there shall not be excluded under this clause (ii) any Taxes on, based on or measured by gross income or gross receipts imposed by any State or Local Taxing Authority to the extent such Taxes would have been imposed had the operation or presence of the Aircraft, any Engine, any Part or the Lessee in, or the Lessee's making payments under the Lease from, the jurisdiction imposing such Taxes been the sole connection between the Owner Participant (and any such related Tax Indemnatee) and such jurisdiction;

(iii) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by any taxing jurisdiction other than the United States Federal government and other than any State or Local Taxing Authority ("Foreign Taxing Authority") that are on, based on or measured by net or gross income or net or gross receipts of the Owner Participant or any related Tax Indemnatee (including any minimum Taxes, withholding Taxes and any Taxes on or measured by any items of tax prefer-

ence) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnatee; provided that there shall not be excluded under this subparagraph (iii) any Taxes imposed by any Foreign Taxing Authority if, and to the extent, such Taxes would have been imposed had the only connections between the Owner Participant (and any such related Tax Indemnatee) and such jurisdiction been (w) the operation or presence in such jurisdiction of the Aircraft, any Engine or any Part, (x) the operation or presence in such jurisdiction of any other items of transportation equipment usable in international commerce owned by the Owner Participant and leased to unrelated lessees in long term net leases, (y) the presence of the Lessee in, or the Lessee's making payments under the Lease from, such jurisdiction or (z) any combination of the preceding clauses (w), (x) and (y);

(iv) Taxes imposed on a Tax Indemnatee on or with respect to any transfer (other than any transfer that occurs as a result of an Event of Default that has occurred and is continuing or as a result of the substitution, replacement, modification, pooling or improvement of the Aircraft or any part thereof or interest therein, any Engine or any Part or pursuant to Section 8, 9, 10, or 20 of the Lease) (x) by such Tax Indemnatee or any Related Tax Indemnatee of any interest in the Aircraft, any Engine, any Part or any Certificate or any interest arising under the Operative Documents (for the avoidance of doubt, the assumption by the Lessee of the rights and obligations of the Owner Trustee under the Indenture and the Certificates pursuant to Section 2.16 of the Indenture shall not be considered a transfer described in this clause (x)) or (y) of any interest in such Tax Indemnatee or any Related Tax Indemnatee;

(v) Taxes imposed on a Tax Indemnatee to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed and indemnified against had there not been a transfer (other than any transfer that occurs as a result of an Event of Default that has occurred and is continuing) (x) by such Tax Indemnatee or any Related Tax Indemnatee of any interest in the Aircraft, any Engine, any Part or any Certificate or any interest arising

under the Operative Documents (for the avoidance of doubt, the assumption by the Lessee of the rights and obligations of the Owner Trustee under the Indenture and the Certificates pursuant to Section 2.16 of the Indenture shall not be considered a transfer described in this clause (x)) or (y) of any interest in such Tax Indemnitee or any Related Tax Indemnitee;

(vi) Taxes imposed on the Owner Trustee or the Indenture Trustee that are on, based on or measured by any trustee fees for services rendered by the Owner Trustee in its capacity as trustee under the Trust Agreement, or by the Indenture Trustee in its capacity as trustee under the Trust Indenture, as the case may be;

(vii) Taxes for so long as such Taxes are being contested in accordance with the provisions of Section 7(c)(4) hereof;

(viii) Taxes attributable to the Aircraft or any Engine that are imposed with respect to any period after the earlier of (x) the return of the Aircraft (or such Engine) under the Lease (it being understood that the date of the placement of the Aircraft in storage as provided in Section 5(d) of the Lease constitutes the date of return of the Aircraft and Engines under the Lease) and (y) the expiration or earlier termination of the Lease under circumstances not requiring the return of the Aircraft; provided that the exclusion set forth in this subparagraph (viii) shall not apply to Taxes to the extent such Taxes relate to events or conditions occurring or matters arising prior to or simultaneously with such time;

(ix) Taxes that would not have been imposed but for (A) in the case of Taxes imposed on or with respect to the Owner Trustee, the Trust Estate, the Owner Participant or any related Tax Indemnitee with respect to any of the foregoing, the existence of any Lessor's Liens, (B) in the case of Taxes imposed on or with respect to any Tax Indemnitee (other than Wilmington Trust Company or NationsBank of Georgia, National Association, their respective successors and assigns (including, without limitation, each and any Person who is at any time a replacement Owner Trustee or Indenture Trustee), their respective officers,

directors, servants and agents and their respective Affiliates), any act or omission of such Tax Indemnatee or any Tax Indemnatee related to such Tax Indemnatee that is in violation of any of the terms of the Operative Documents, (C) in the case of Taxes imposed on or with respect to any Tax Indemnatee, any act or omission of such Tax Indemnatee or any Tax Indemnatee related to such Tax Indemnatee that constitutes gross negligence or willful misconduct, or the inaccuracy of any representation, warranty or covenant by such Tax Indemnatee or such related Tax Indemnatee, but only if, in any such case described in the immediately preceding clause (B) or (C), such act, omission or inaccuracy is not a result in whole or in part of (I) any act or omission of the Lessee or any sublessee or Person (other than a Tax Indemnatee) that is a user of the Aircraft or any Engine or any Affiliate of any thereof or (II) the breach or inaccuracy of any representation, warranty or covenant of the Lessee or any Affiliate, or (D) in the case of Taxes imposed on or with respect to the Indenture Trustee, the Indenture Estate, any Loan Participant or any related Tax Indemnatee with respect to any of the foregoing, the existence of any Loan Participant Lien;

(x) Taxes imposed on any Tax Indemnatee (other than any Loan Participant, the Indenture Trustee or the Indenture Estate) to the extent such Taxes are increased (A) as a result of a change in the situs of the Trust Estate (other than a change at the Lessee's request or a change that is consented to by the Lessee in writing, which consent shall not unreasonably be withheld and the request for which shall have specified this subparagraph (x)) or (B) as a result of the unreasonable failure of the Owner Participant to comply or the gross negligence of the Owner Trustee in complying with the Lessee's request pursuant to Section 9(d) hereof to move the situs of the Trust Estate to another jurisdiction;

(xi) Taxes imposed on a Tax Indemnatee (other than the Indenture Trustee or the Indenture Estate) that would not have been imposed upon such Tax Indemnatee but for any failure of such Tax Indemnatee or any related Tax Indemnatee to comply with (x) certification, information, documentation, reporting or other similar requirements concerning the national-

ity, residence, identity or connection with the jurisdiction imposing such Taxes, if such Tax Indemnitee's or any related Tax Indemnitee's compliance is required by statute or by regulation of the jurisdiction imposing such Taxes as a precondition to relief or exemption from such Taxes and the Tax Indemnitee or such related Tax Indemnitee was eligible for such relief or exemption or (y) any other certification, information, documentation, reporting or other similar requirements under the Tax laws or regulations of the jurisdiction imposing such Taxes that would establish entitlement to otherwise applicable relief or exemption from such Taxes, provided that the exclusion set forth in this subparagraph (xi) shall not apply if such failure to comply was due to a failure of the Lessee (A) timely to notify such Tax Indemnitee of such requirement or (B) to provide reasonable assistance in complying with such requirement or, in the case of the Owner Participant, if such failure was the result of the Owner Trustee's negligence or the Owner Trustee's actions or failure to act in accordance with instructions of the Owner Participant or, in the case of any Loan Participant, if such failure was the result of the Indenture Trustee's negligence or the Indenture Trustee's actions or failure to act in accordance with instructions of such Loan Participant;

(xii) Taxes imposed on any Tax Indemnitee other than any Loan Participant, the Indenture Trustee or the Indenture Estate in the nature of any intangible or similar tax upon or with respect to the value of the interest of the Owner Participant in the Trust Estate imposed by any government or taxing authority in which the Owner Participant is subject to tax without regard to the ownership or lease of the Aircraft;

(xiii) Taxes that would not have been imposed but for an amendment to any Operative Documents not consented to by the Lessee in writing (other than any amendment that occurs after an Event of Default has occurred and while it is continuing);

(xiv) Taxes imposed on the Owner Participant, the Owner Trustee or the Trust Estate by the United States or by any state or local government or taxing authority in the United States (including any ter-

ritory or possession thereof) by reason of the trust described in the Trust Agreement being taxed in the same manner as a corporation;

(xv) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on any Loan Participant that are on, based on or measured by gross or net income or gross or net receipts of such Loan Participant or any related Tax Indemnitee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of such Loan Participant or any related Tax Indemnitee by (x) the Federal government of the United States or (y) any state or local government or taxing authority in the United States or any foreign government or any territory or possession of the United States or any international authority or any political subdivision or taxing authority of any of the foregoing except to the extent that such Taxes would have been due had the transactions contemplated by the Operative Documents been the sole connection between the jurisdiction imposing such Taxes and such Loan Participant, provided that there shall not be excluded under clause (x) or (y) of this subparagraph (xv) Taxes to the extent imposed by reason of such Loan Participant being treated as having a taxable exchange as a result of an assumption by the Lessee of the rights and obligations of the Owner Trustee under the Indenture and the Certificates pursuant to Section 2.16 of the Indenture (for the avoidance of doubt, nothing in this clause (xv) shall affect any obligation of the Owner Trustee under Section 2.04 of the Indenture); and

(xvi) Taxes imposed on any Loan Participant in the nature of any intangible or similar tax upon or with respect to the value of the interest of such Loan Participant in any Certificate or the loan evidenced thereby, except to the extent that such Taxes would have been due had the transactions contemplated by the Operative Documents been the sole connection between the jurisdiction imposing such Taxes and such Loan Participant.

(3) Tax Benefit Payback. If, by reason of the payment or accrual of any Taxes indemnified hereunder, a

Tax Indemnitee realizes an actual reduction in any Taxes, which reduction in Taxes was not taken into account in calculating any indemnity payments made by the Lessee hereunder, then such Tax Indemnitee shall promptly pay to the Lessee an amount equal to such actual reduction in Taxes, if any, plus the actual reduction in Taxes realized by such Tax Indemnitee or any related Tax Indemnitee as the result of any payment made by such Tax Indemnitee pursuant to this sentence. Each Tax Indemnitee shall in good faith use diligence in filing its tax returns and in dealing with Taxing Authorities to seek and claim any tax benefit that would result in any such reduction in Taxes or any refund of any Taxes payable or indemnifiable by the Lessee hereunder, provided that no Loan Participant shall have any obligation to claim any credit or any deduction in priority to any other claims, reliefs, credits or deductions available to it. Any Taxes that are imposed on any Tax Indemnitee as a result of the disallowance or reduction of any reduction in Taxes referred to in the second preceding sentence as to which (and to the extent) such Tax Indemnitee has made any payment to the Lessee required hereby shall be treated as a Tax for which the Lessee is obligated to indemnify such Tax Indemnitee pursuant to the provisions of this Section 7(c) without regard to the exclusions set forth in Section 7(c)(2). For the purposes of this Section 7(c)(3), items of foreign Tax of any Tax Indemnitee (other than any Loan Participant) shall be deemed to be utilized by such Tax Indemnitee as credits or deductions in any taxable year in accordance with the following:

- (i) First, all available foreign Taxes other than those arising out of leveraged lease transactions; and
- (ii) Second, foreign Taxes arising from leveraged lease transactions for which such Tax Indemnitee was not indemnified or held harmless by anyone; and
- (iii) Third, all available foreign Taxes for which such Tax Indemnitee was indemnified or held harmless by the Lessee and all other available foreign Taxes indemnified under any other leveraged lease transactions (other than those arising from any transaction in which there is an express agreement that such Taxes shall be utilized last), on a pari passu basis; and

(iv) Fourth, any remaining foreign Taxes arising from any transaction in which there is an express agreement that such Taxes shall be utilized after such Taxes described above.

(4) Contests. If a written claim shall be made against any Tax Indemnitee for any Tax for which the Lessee is obligated pursuant to this Section 7(c), such Tax Indemnitee shall notify the Lessee in writing promptly of such claim. If the Lessee shall so request in writing within 30 days after receipt of such notice, such Tax Indemnitee shall in good faith at the Lessee's expense contest the imposition of such Tax (including taking an appeal of any adverse judicial decision) by (a) resisting payment of such Tax, (b) paying such Tax under protest or (c) paying such Tax and seeking a refund or other repayment thereof, provided that, at such Tax Indemnitee's option, such contest shall be conducted by the Lessee in the name of such Tax Indemnitee or, if permitted by law, in the name of the Lessee, and that in no event shall such Tax Indemnitee be required to contest, or the Lessee permitted to contest in the name of such Tax Indemnitee or the Lessee, the imposition of any Tax for which the Lessee is obligated pursuant to this Section 7(c) unless (v) the Lessee shall have delivered a written opinion of its internal counsel or outside counsel to the effect that there is a reasonable basis (consistent with Formal Opinion 85-352 of the American Bar Association) for contesting such claim, (w) if an Event of Default shall have occurred or be continuing, the Lessee shall have provided security for its obligations hereunder reasonably satisfactory to the Tax Indemnitee, (x) the Lessee shall have agreed to pay such Tax Indemnitee on demand all reasonable out-of-pocket costs and expenses that such Tax Indemnitee may incur in connection with contesting such claim (including, without limitation, all reasonable legal and accounting fees and disbursements), (y) the action to be taken will not result in any material danger of sale, forfeiture or loss of the Aircraft, Airframe, any Engine or any material Part or any interest in any thereof and (z) if such contest shall be conducted in a manner requiring the payment of the claim, the Lessee shall pay such claim or shall advance to the Tax Indemnitee on an interest-free basis and with no additional net after-tax cost to the Tax Indemnitee sufficient funds to pay the claim. Except as otherwise provided herein, the contest shall be conducted in the manner determined by the Lessee unless it involves issues with respect to which the Lessee would not

be required to indemnify such Tax Indemnitee hereunder which can not be severed by reasonable efforts of such Tax Indemnitee from all issues with respect to which the Lessee would be liable hereunder. If the contest involves issues with respect to which the Lessee would not be required to indemnify such Tax Indemnitee hereunder that can not be severed by reasonable efforts of such Tax Indemnitee from all issues with respect to which the Lessee would be liable hereunder, such Tax Indemnitee may in its sole discretion select the forum for such contest and determine the manner in which such contest shall be conducted, provided that such Tax Indemnitee shall afford the Lessee and its counsel a reasonable opportunity to discuss with such Tax Indemnitee the Lessee's interests with respect to such contest. No contest of any issue with respect to which the Lessee would be required to indemnify hereunder shall be settled without the prior written consent of the Lessee unless the Tax Indemnitee waives (by written notice to the Lessee) the payment by the Lessee of any amount that might otherwise be payable by the Lessee under this Section 7(c) in respect of such issue and any related issue the contest of which is effectively foreclosed by the settlement of such issue, including any payment arising from such issue in subsequent years or which arises by reason of the fact that such issue is of a continuing nature, and promptly pays to the Lessee any amount previously paid or advanced by the Lessee with respect to such issue or the contest of such issue, provided that if there has been an adverse judicial decision with respect to such issue or related issue the Tax Indemnitee, in determining whether it will terminate the contest of such issue, shall afford the Lessee and its counsel a reasonable opportunity to discuss with such Tax Indemnitee the Lessee's interests with respect to such contest. If any Tax Indemnitee shall obtain a refund of all or any part of any Tax paid by the Lessee or with funds provided by the Lessee, such Tax Indemnitee shall pay the Lessee, net of any payments theretofore due to such Tax Indemnitee pursuant to this Section 7(c) but unpaid and any other payments theretofore due to such Tax Indemnitee under any of the Operative Documents but unpaid, an amount equal to the amount of such refund, including interest received attributable thereto, reduced by any Taxes incurred by such Tax Indemnitee or a related Tax Indemnitee by reason of the receipt or accrual of such refund and interest, and increased by any tax benefit realized by such Tax Indem-

nitee or a related Tax Indemnatee as a result of any payment by such Tax Indemnatee made pursuant to this sentence.

(5) Reports. If any report, return or statement is required to be filed with respect to any Tax that is a property tax (or a tax in the nature of a property tax) subject to indemnification under this Section 7(c), the Lessee shall timely file the same (except for any such report, return or statement which the Tax Indemnatee has notified the Lessee that the Tax Indemnatee intends to file, provided that such Tax Indemnatee shall have furnished the Lessee, at the Lessee's request and expense, with such information, not within the control of the Lessee, as is in such Tax Indemnatee's control and is reasonably available to such Tax Indemnatee and reasonably necessary to file such returns. The Lessee shall either file such report, return or statement so as to show the ownership of the Aircraft in the Owner Trustee and send a copy of such report, return or statement to the Tax Indemnatee, and the Owner Trustee if the Tax Indemnatee is not the Owner Trustee, or, where the Lessee is not permitted to so file, shall notify the Tax Indemnatee of such requirement and prepare and deliver such report, return or statement to the Tax Indemnatee in a manner satisfactory to such Tax Indemnatee within a reasonable time prior to the time such report, return or statement is to be filed. The Lessee shall also furnish promptly upon written request such data in its possession or otherwise reasonably available to it as any Tax Indemnatee may reasonably request to enable such Tax Indemnatee to comply with the requirements of any Taxing Authority. The Lessee shall hold each Tax Indemnatee harmless from and against the penalties, additions to tax and fines arising from any insufficiency or inaccuracy in any such report, return or statement or fairly attributable to the inaccuracy of any data supplied to any Tax Indemnatee by the Lessee, without regard to whether such penalties, additions to tax and fines are otherwise indemnifiable under this Section 7(c). If any report, return or statement is required to be filed with respect to any Tax (other than a property tax or a tax in the nature of a property tax) subject to indemnification under this Section 7(c), the Lessee will promptly notify the appropriate Tax Indemnatee upon the Lessee's obtaining actual knowledge of such requirement. If the Lessee receives written notice from a Taxing Authority of a Tax that is imposed upon a Tax Indemnatee but not indemnified against by the Lessee hereunder, the

Lessee will forward a copy of such notice to such Tax Indemnitee.

(6) Payment. The Lessee shall pay any Tax for which it is liable pursuant to this Section 7(c), directly to the appropriate taxing authority or upon demand of a Tax Indemnitee to such Tax Indemnitee, within 30 Business Days of a written demand, but in no event prior to the date such Tax is due (including all extensions), or, in the case of Taxes which are being contested, the time such contest is finally resolved. Any such demand shall specify in reasonable detail the calculation to the payment and the facts upon which the right to payment is based. Each Tax Indemnitee shall promptly forward to the Lessee any notice, bill or advice received by it concerning any Tax which the Lessee may be required to indemnify against hereunder. Upon the written request of an appropriate Tax Indemnitee, the Lessee shall furnish such Tax Indemnitee the original or a certified copy of a receipt (if any is available to the Lessee) for the Lessee's payment of any Tax that is subject to indemnification pursuant to this Section 7(c), or such other evidence of payment of such Tax as is acceptable to such Tax Indemnitee (and available to the Lessee).

(7) Application of Payments During Existence of Event of Default. Any amount payable to the Lessee pursuant to the terms of this Section 7(c) shall not be paid to the Lessee if at the time such payment would otherwise be made an Event of Default or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing but shall be held by the Tax Indemnitee as security for the obligations of the Lessee under the Operative Documents and, if the Lessor declares the Lease to be in default pursuant to Section 15 thereof (or the Lease is deemed to be declared in default), applied against the Lessee's obligations under the Operative Documents as and when due, provided that no such amount shall be held as security for more than 180 days unless the Lessor or the Indenture Trustee shall be precluded by law or court order from exercising remedies under Section 15 of the Lease. At such time as there shall not be continuing any such Event of Default or other event or such 180-day period shall have elapsed, such amount shall be paid to the Lessee to the extent not previously applied in accordance with the preceding sentence.

(8) Forms, Etc. Each Tax Indemnitee agrees to furnish from time to time to the Lessee or to such other person as the Lessee may designate, at the Lessee's request in writing and expense, such duly executed and properly completed forms as may be necessary or appropriate in order to claim any reduction of or exemption from any withholding or other Tax imposed by any Taxing Authority which the Lessee may be required to indemnify against hereunder, if (x) such reduction or exemption is available to such Tax Indemnitee and (y) the Lessee has provided such Tax Indemnitee with any information necessary to complete such form not otherwise reasonably available to such Tax Indemnitee.

(9) Non-Parties. If a Tax Indemnitee is not a party to this Agreement, the Lessee may require the Tax Indemnitee to agree in writing, in a form reasonably acceptable to the Lessee, to the terms of this Section 7(c) prior to making any payment to such Tax Indemnitee under this Section 7(c).

(10) Verification. At the Lessee's request, the amount of any indemnity payment by the Lessee pursuant to this Section 7 or any payment by a Tax Indemnitee to the Lessee pursuant to this Section 7 shall be verified and certified by either the independent public accounting firm that audits the financial statements of such Tax Indemnitee (provided that such firm shall have its headquarters in the United States) or another independent public accounting firm selected by such Tax Indemnitee and reasonably satisfactory to the Lessee, provided that, in the case of any Loan Participant, the amount of any payment by such Loan Participant to the Lessee pursuant to this Section 7 shall be verified and certified by the independent public accounting firm that audits the financial statements of such Loan Participant. The fee of such independent public accounting firm shall be paid by the Lessee unless such verification shall disclose an error in such Tax Indemnitee's favor exceeding 10% of the amount of such payment determined by the Tax Indemnitee, in which case such fee shall be paid by such Tax Indemnitee. The Lessee will have no right to examine the tax returns of the Tax Indemnitee in connection with the verification procedure described in this Section 7(c)(10); each Tax Indemnitee agrees to cooperate with the independent public accounting firm performing the verification and to supply such firm with all information reasonably necessary to permit it to accomplish such verification, provided that

the information provided to such firm by such Tax Indemnitee shall be for its confidential use.

(11) Definition. For purposes of this Section 7(c), "Tax Indemnitee" shall mean the Owner Participant, the Owner Trustee, in its individual capacity and as trustee, the Trust Estate, each Loan Participant, the Indenture Trustee, in its individual capacity and as trustee, and the Indenture Estate, and any reference to a Tax Indemnitee, the Owner Participant, the Owner Trustee, the Trust Estate, any Loan Participant, the Indenture Trustee or the Indenture Estate shall include its respective successors, permitted assigns, officers, directors, agents, servants and Affiliates and shall also include any member of the Affiliated Group of which such Tax Indemnitee, the Owner Participant, the Owner Trustee, the Trust Estate, such Loan Participant, the Indenture Trustee, or the Indenture Estate, as the case may be, is a member. For purposes of this Section 7(c), "Related Tax Indemnitee" shall mean (i) with respect to each of the Owner Participant, the Owner Trustee and the Trust Estate, such other Tax Indemnitees, and (ii) with respect to any Loan Participant, the Indenture Trustee and the Indenture Estate, such other Tax Indemnitees.

(12) Subrogation. Upon payment of any Tax by the Lessee pursuant to this Section 7(c) to or on behalf of a Tax Indemnitee, the Lessee, without any further action, shall be subrogated (unless a court of competent jurisdiction shall have entered a final judgment ordering the return of such payment to the Lessee) to any claims that such Tax Indemnitee may have relating thereto other than claims in respect of insurance policies maintained by such Tax Indemnitee at its own expense. Such Tax Indemnitee shall give such further reasonable assurances or agreements and cooperate with the Lessee to permit the Lessee to pursue such claims; provided that the Lessee shall reimburse such Tax Indemnitee for all reasonable out-of-pocket costs associated with such assurances, agreements or cooperation.

(d) Survival. The representations, warranties, indemnities and agreements of the Lessee provided for in this Section 7 and the Lessee's obligations under any and all thereof, and the obligations of any Indemnitee or Tax Indemnitee under this Section 7, shall survive the Owner Participant's and the Original Loan Participant's making of their respective Commitments, the delivery of the

Aircraft and the expiration or other termination of the Operative Documents.

(e) Payments; Interest. Any payments made pursuant to this Section 7 directly to an Indemnitee or a Tax Indemnitee or to the Lessee, as the case may be, shall be made in immediately available funds at such bank or to such account as is specified by the payee in written directions to the payor or, if no such directions shall have been given, by certified check of the payor payable to the order of the payee and mailed to the payee by certified mail, return receipt requested, postage prepaid to its address referred to in Section 15(c) of this Agreement (or, in the case of an Indemnitee or Tax Indemnitee that is not a party to this Agreement, to such address as shall have been furnished by it in writing to the Lessee). To the extent permitted by applicable law, interest at the Overdue Rate shall be paid, on demand, on any amount or indemnity not paid when due pursuant to this Section 7 until the same shall be paid. Such interest shall be paid in the same manner as the unpaid amount in respect of which such interest is due.

(f) Effect of Other Indemnities. The Lessee's obligations under the indemnities provided for in this Agreement shall be those of a primary obligor whether or not the Person indemnified shall also be indemnified with respect to the same matter under the terms of this Agreement, the Lease, the Trust Indenture, the Trust Agreement or any other document or instrument, and the Person seeking indemnification from the Lessee pursuant to any provisions of this Agreement may proceed directly against the Lessee without first seeking to enforce any other right of indemnification.

Section 8. Representations and Warranties. (a) The Owner Participant represents and warrants that neither it nor any Person authorized by it to act on its behalf has directly or indirectly offered any Certificates or any interest in and to the Trust Estate, the Trust Agreement, or any similar security for sale, or solicited any offer to acquire any of the same other than in a manner required or permitted by the Securities Act of 1933, as amended, and by the rules and regulations thereunder. The Owner Participant represents and warrants that its interest in and to the Trust Estate and the Trust Agreement is being acquired for its own account and it is being purchased for investment and not with a view to any

resale or distribution thereof; provided, however, that such representation shall in no way limit the Owner Participant's right to transfer such interest pursuant to, and in accordance with all the terms and conditions of, Section 16(c) hereof.

(b) The Lessee represents that neither it nor any Person authorized to act on its behalf has (i) directly or indirectly offered any interest in or to the Trust Estate or the Trust Agreement to, or solicited any offer to acquire any of the same from, anyone other than the Owner Participant and not more than 35 other institutional investors, (ii) directly or indirectly offered the Certificates for sale to, or solicited any offer to acquire any of the same from, anyone other than the Original Loan Participant and not more than 35 other institutional investors or (iii) offered any interest in the Trust Estate or any Certificate in a manner that would violate the Securities Act of 1933, as amended, the regulations thereunder or judicial or administrative interpretations thereof having the force of law.

(c) The Owner Trustee represents and warrants, both in its individual capacity and as trustee, that it has not directly or indirectly offered any Certificates or any interest in or to the Trust Estate, the Trust Agreement, or any similar security, for sale to, or solicited any offer to acquire any of the same from, anyone.

(d) The Indenture Trustee, in its individual capacity (except with respect to enforceability as set forth in clause (iii) below) and as trustee, represents and warrants that:

(i) it is a national banking association duly organized and validly existing and holding a valid certificate to do business as a national banking association with trust powers under the laws of the United States in good standing under the laws of the United States, is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration thereunder without the use of any voting trust agreement or similar arrangement, and will resign as Indenture Trustee promptly after an officer in its corporate trust department obtains actual knowledge that it has

ceased to be such a citizen, and has the full corporate power, authority and legal right under the laws of the State of Georgia and the laws of the United States pertaining to its banking, trust and fiduciary powers to execute, deliver and carry out the terms of each of the Operative Documents to which it is a party;

(ii) the execution, delivery and performance by the Indenture Trustee of each of the Operative Documents to which the Indenture Trustee is a party have been duly authorized by the Indenture Trustee and will not violate its articles of association or by-laws or the provisions of any indenture, mortgage, contract or other agreement or instrument to which it is a party or by which it is bound or by which its properties may be bound or affected; and

(iii) each Operative Document to which it is a party has been duly executed and delivered and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity.

(e) The Owner Trustee, in its individual capacity (except with respect to clauses (iii) and (v) below) and as Owner Trustee, represents and warrants that:

(i) the Owner Trustee, in its individual capacity, is a Delaware banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, has full corporate power and authority to carry on its business as now conducted and to enter into and perform its obligations hereunder and under the Trust Agreement and (assuming due authorization, execution and delivery of the Trust Agreement by the Owner Participant) has full power and authority, as Owner Trustee and/or, to the extent expressly provided herein or therein, in its individual capacity, to enter into and perform its obligations under each of the Operative Documents to which it is a party;

(ii) the Owner Trustee in its trust capacity and, to the extent expressly provided therein, in its

individual capacity, has duly authorized, executed and delivered the Trust Agreement and (assuming the due authorization, execution and delivery of the Trust Agreement by the Owner Participant) each of the other Operative Documents to which it is a party and the Certificates to be delivered on the Delivery Date for the Aircraft; and the Trust Agreement constitutes a legal, valid and binding obligation of the Owner Trustee, in its individual capacity, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(iii) assuming the due authorization, execution and delivery of the Trust Agreement by the Owner Participant, each of the Operative Documents (other than the Trust Agreement) to which it is a party constitutes, or when entered into will constitute, a legal, valid and binding obligation of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(iv) neither the execution and delivery by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of the Operative Documents to which it is or will be a party or the Certificates to be delivered on the Delivery Date for the Aircraft, nor the consummation by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or thereby, nor the compliance by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, with any of the terms and provisions hereof and thereof, (A) requires or will require any approval of its stockholders, or approval or consent of any trustees or holders of any indebtedness or obligations of it, or (B) violates or will violate its

certificate of incorporation or by-laws, or contravenes or will contravene any provision of, or constitutes or will constitute a default under, or results or will result in any breach of, or results or will result in the creation of any Lien (other than as permitted under the Lease) upon its property under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sale contract, bank loan or credit agreement, license or other agreement or instrument to which it is a party or by which it is bound, or contravenes or will contravene any law, governmental rule or regulation of the United States of America or the State of Delaware governing the banking or trust powers of the Owner Trustee, or any judgment or order applicable to or binding on it;

(v) there are no Taxes payable by the Owner Trustee, either in its individual capacity or as Owner Trustee, imposed by the State of Delaware or any political subdivision thereof in connection with the execution and delivery by the Owner Trustee in its individual capacity of the Trust Agreement, and, in its individual capacity or as Owner Trustee, as the case may be, of this Agreement, the other Operative Documents to which it is a party or the Certificates; and there are no Taxes payable by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, imposed by the State of Delaware or any political subdivision thereof in connection with the acquisition of its interest in the Aircraft (other than franchise or other taxes based on or measured by any fees or compensation received by the Owner Trustee for services rendered in connection with the transactions contemplated hereby);

(vi) there are no pending or threatened actions or proceedings against the Owner Trustee, either in its individual capacity or as Owner Trustee, before any court or administrative agency which, if determined adversely to it, would materially adversely affect the ability of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to perform its obligations under the Trust Agreement, the other Operative Documents to which it is a party or the Certificates;

(vii) both its chief executive office, and the place where its records concerning the Aircraft and all its interest in, to and under all documents relating to the Trust Estate, are located at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-2), and the Owner Trustee, in its individual capacity, agrees to give the Owner Participant, the Indenture Trustee and the Lessee at least 30 days' prior written notice of any relocation of said chief executive office or said place from its present location;

(viii) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any State of Delaware or local governmental authority or agency or any United States federal governmental authority or agency regulating the banking or trust powers of the Owner Trustee, in its individual capacity, is required for the execution and delivery of, or the carrying out by, the Owner Trustee in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or by the Trust Agreement or of any of the transactions contemplated by any other of the Operative Documents to which the Owner Trustee is or will be a party, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken;

(ix) on the Delivery Date, each of the Trust Estate and the Indenture Estate shall be free of any Lessor's Liens attributable to the Owner Trustee in its individual capacity;

(x) all funds received by the Owner Trustee from the Owner Participant pursuant to the Trust Agreement will be administered by it in accordance with Article IV of the Trust Agreement; and

(xi) it is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration thereunder (without making use of a voting trust agreement or a voting powers agreement).

(f) The Owner Participant represents and warrants that:

(i) the Owner Participant is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its present business and operations, to own or lease its properties and to enter into and perform its obligations under this Agreement, the Tax Indemnity Agreement and the Trust Agreement, and this Agreement, the Tax Indemnity Agreement and the Trust Agreement have been duly authorized, executed and delivered by it and are legal, valid and binding on it and are enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general equity principles;

(ii) the execution and delivery by the Owner Participant of this Agreement, the Tax Indemnity Agreement and the Trust Agreement and compliance by it with all of the provisions thereof do not and on the Delivery Date will not contravene any law or any order of any court or governmental authority or agency applicable to or binding on it (it being understood that no representation or warranty is made with respect to laws, rules, or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee other than such laws, rules, or regulations relating to the citizenship requirements of the Owner Participant under applicable law) or contravene the provisions of, or constitute a default under, its articles of incorporation or by-laws or any indenture, mortgage, contract or any agreement or instrument to which it is a party or by which it or any of its property may be bound or affected;

(iii) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than as required by the Federal Aviation Act or the regulations promulgated thereunder) is required for the due execution, delivery or performance by it of this Agreement, the Tax Indemnity Agreement and the Trust Agreement;

(iv) the Trust Estate is free of Lessor's Liens attributable to it;

(v) it is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration thereunder (without making use of a voting trust agreement or a voting powers agreement);

(vi) there are no pending or threatened actions or proceedings before any court or administrative agency which would materially adversely affect its financial condition or its ability to perform its obligations under this Agreement, the Tax Indemnity Agreement or the Trust Agreement; and

(vii) no part of the funds to be used by it to make its investment pursuant to Section 1 constitutes assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA).

(g) The Original Loan Participant represents and warrants

that:

(i) the Certificates to be acquired by it pursuant to this Agreement and the Trust Indenture are being acquired by it for its own account and for investment and not with a view to any resale or distribution thereof, provided that the Original Loan Participant may sell, assign, pledge, or otherwise transfer or grant participations in all or any portion of such Certificates in accordance with all the terms and conditions of Sections 9(p) and 9(q) hereof, the Original Loan Participant hereby agreeing that (x) any such sale, assignment, pledge, transfer or grant of participation shall be made so as not to violate any applicable laws, including without limitation the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, or any other applicable laws relating to the transfer of similar interests and (y) no such sale, assignment, pledge, transfer or grant of participation shall be made under circumstances that require registration under such Securities Act or qualification of an indenture under such Trust Indenture Act; and

(ii) no part of the funds to be used by it to make its investment pursuant to Section 1 constitutes assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or of any "plan" (as defined in Section 4975(e) of the Code).

SECTION 9. Certain Covenants. (a) The Owner Participant agrees promptly to pay or, if previously paid by the Lessee, to reimburse the Lessee for, (x) the initial fees of the Owner Trustee and the Indenture Trustee in connection with the transactions contemplated hereby and (y) all the reasonable out-of-pocket costs and expenses incurred by the Indenture Trustee, the Owner Trustee, the Owner Participant and the Original Loan Participant in connection with the negotiation, preparation, execution and delivery of this Agreement, the other Operative Documents and any other documents or instruments referred to herein or therein, including, without limitation,

(i) the reasonable fees, expenses and disbursements of (A) Vedder, Price, Kaufman & Kammholz, special counsel for the Original Loan Participant, (B) Powell, Goldstein, Frazer & Murphy, special counsel for the Indenture Trustee, (C) Potter Anderson & Corroon, special counsel for the Owner Trustee, and (D) Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma;

(ii) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant;

(iii) the reasonable fees, expenses and disbursements of Debevoise & Plimpton, special counsel for the Lessee, and the fees and expenses of Babcock & Brown, the Lessee's financial advisor, in amounts separately agreed; and

(iv) all other reasonable expenses incurred in connection with such actions and transactions, including, without limitation, the fees and expenses of one (but only one) aircraft appraiser in respect of the appraisal referred to in Section 4, printing and document production or reproduction expenses and all fees, taxes and other charges payable in connection with the recording or filing of the instruments and financing statements described in this Agreement.

Each of the Owner Trustee, the Lessee, the Original Loan Participant and the Indenture Trustee shall promptly submit to the Owner Participant copies of the invoices in respect of the foregoing transaction costs as they are received, and in all events not later than December 31, 1992. The Owner Participant prior to the payment thereof will send copies of any invoices received by it with respect to any of the foregoing fees, expenses and disbursements constituting transaction costs to the Lessee for the Lessee's review and approval, such approval not to be unreasonably withheld or delayed.

In the event that the transactions contemplated by this Agreement and the agreements referred to herein are not consummated, the Lessee shall bear and pay all costs, expenses and fees referred to above; provided that if the transaction fails to be consummated as a result of failure of the Owner Participant to act in good faith in consummating the transactions, or to fulfill its funding obligations or otherwise to comply with the terms hereof or thereof, the Owner Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid.

(b) The Owner Participant covenants that if (i) it ceases to be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and (ii) either (A) the Aircraft shall or would thereupon become ineligible for registration in the name of the Owner Trustee under the Federal Aviation Act as in effect at such time, or under the law of the current jurisdiction of registry of the Aircraft, as the case may be, and the regulations then applicable thereunder, or (B) the Aircraft is registered in a jurisdiction other than the United States in circumstances in which clause (A) does not apply and the Lessee at any time proposes to register the Aircraft within four months in any jurisdiction to which clause (A) would apply upon such reregistration, then the Owner Participant at its own expense shall promptly (and, in any event, within a period of 30 days) either transfer, pursuant to Article VIII of the Trust Agreement and Section 16(c) hereof, such of its right, title and interest in and to the Trust Agreement, the Trust Estate, and this Agreement, or take such other action, as may be necessary to prevent any deregistration

of the Aircraft or to make possible its registration in the United States. Each party hereto agrees to take such steps, at the Owner Participant's expense, as the Owner Participant shall reasonably request in order to assist the Owner Participant in complying with its obligations under this Section 9(b). The Owner Participant hereby agrees to indemnify the Lessee, the Indenture Trustee and each Loan Participant against any and all losses, liabilities and expenses incurred by the Lessee, the Indenture Trustee or any Loan Participant to the extent that any such losses, liabilities or expenses are caused by the Aircraft's so becoming ineligible or ceasing to remain eligible for such registration.

(c) The Owner Trustee in its individual capacity covenants that if at any time it shall cease to be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act, it will resign immediately as Owner Trustee (if and so long as such citizenship is necessary under the Federal Aviation Act, or the law of the current jurisdiction of the registry of the Aircraft, as the case may be, as in effect at such time or, if it is not necessary, if and so long as the Owner Trustee's citizenship (in its individual capacity) would have any adverse effect on the Lessee or any Loan Participant). The Owner Trustee in its individual capacity hereby unconditionally agrees with and for the benefit of the parties to this Agreement that the Owner Trustee in its individual capacity will not directly or indirectly create, incur, assume or suffer to exist any Lessor's Liens on or against any part of the Trust Estate, the Indenture Estate or the Aircraft arising out of any act or omission of or claim against or affecting the Owner Trustee in its individual capacity, and the Owner Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full (i) all Lessor's Liens attributable to the Owner Trustee in its individual capacity and (ii) any other Liens attributable to the Owner Trustee in its individual capacity on any part of the Trust Estate or the Indenture Estate which result from claims against the Owner Trustee in its individual capacity not related to the ownership of the Aircraft, the administration of the Trust Estate or the Indenture Estate or the transactions contemplated by the Operative Documents. The Owner Trustee, in its individual capacity, hereby agrees to indemnify and hold harmless the Lessee, the Indenture Trustee and each Participant from

and against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as a result of the failure of the Owner Trustee to discharge and satisfy any such Lessor's Lien or other lien or encumbrance.

(d) Each of the Owner Participant and the Owner Trustee (in its individual capacity and as Owner Trustee) agrees with the Lessee, the Indenture Trustee and each Loan Participant that it will comply with all of the terms of the Trust Agreement (as the same may hereafter be amended or supplemented from time to time in accordance with the terms thereof) applicable to it in its respective capacity, the noncompliance with which would adversely affect any such party and shall not take any action, or cause any action to be taken, which would amend, modify or supplement any provision of the Trust Agreement in a manner adversely affecting any such party without the prior written consent of such party, which consent shall not be unreasonably withheld. The Owner Trustee confirms for the benefit of the Lessee, the Indenture Trustee and each Loan Participant that it will comply with the provisions of Article IV of the Trust Agreement. The Owner Participant agrees not to terminate or revoke the trust created by the Trust Agreement without the prior written consent of the Lessee and (so long as the Trust Indenture shall not have been discharged) the Indenture Trustee and each Loan Participant, which consent shall not be unreasonably withheld. The Owner Participant further agrees not to remove the institution acting as Owner Trustee, and not to replace the institution acting as Owner Trustee in the event that such institution resigns as Owner Trustee, unless the Owner Participant shall have consulted in good faith with the Lessee, the Indenture Trustee and the Original Loan Participant prior to such removal or replacement as to the identity, location and fee schedules of the proposed successor trustee, provided that (i) the Owner Participant shall retain the right, notwithstanding any such consultation, to act in its sole discretion (provided that the Owner Participant shall not choose a replacement Owner Trustee which, in the good faith opinion of the Lessee, may result in additional liability to the Lessee pursuant to Section 7(c) hereof, except in the case of a mandatory or voluntary resignation of the Owner Trustee where the Lessee has not proposed an alternative Owner Trustee which is reasonably satisfactory to the Owner Participant) and (ii) no such consultation with the Lessee shall be required if an Event of Default shall have

occurred and be continuing. The Owner Trustee and the Owner Participant agree that no co-trustee or separate trustee shall be appointed pursuant to Section 9.02 of the Trust Agreement without the Lessee's (so long as no Event of Default shall have occurred and be continuing) and the Original Loan Participant's prior written consent, such consent not to be unreasonably withheld. The Owner Participant agrees that if, at any time, so long as no Event of Default has occurred and is continuing, the Lessee certifies that the Lessee has, or in the good faith opinion of the Lessee will, become obligated to pay an amount pursuant to Section 7(c) hereof and the amount that has or will become payable would be reduced or eliminated if the situs of the Trust Estate were changed and if, as a consequence thereof, the Lessee should request that the situs of the trust be moved to another state in the United States from the state in which it is then located, the Owner Participant shall direct such change in situs of the Trust Estate as may be specified in writing by the Lessee and the Owner Participant will take whatever action as may be reasonably necessary to accomplish such change; provided that the Lessee shall provide such additional indemnification for Taxes imposed by the jurisdiction to which the Trust Estate is to be moved as the Owner Participant may reasonably request. The Indenture Trustee shall execute such documents and take such action as may be necessary to effect such change in the situs of the Trust Estate; provided that the Lien created by the Indenture shall continue to be perfected and shall not be otherwise adversely affected by such change.

(e) So long as no Event of Default has occurred and is continuing, the Owner Trustee shall promptly pay to the Lessee any amounts received by it (i) pursuant to Section 2.04 of the Indenture or (ii) in respect of Break Funding Gain under Section 2.17 of the Trust Indenture (other than any Break Funding Gain payable with respect to the Certificates as a result of (A) any prepayment of the Certificates or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (B) an Indenture Default that does not also constitute an Event of Default, it being agreed that any such Break Funding Gain shall be for the account of the Owner Participant); provided that if any such amount has been so held by the Owner Trustee as security for more than 90 days after an Event of Default shall have occurred and during which period (x) the Owner Trustee shall not

have been limited by operation of law or otherwise from exercising remedies under the Lease or (y) the Owner Trustee shall not have commenced to exercise any remedy available to it under Section 15 of the Lease, then the Owner Trustee shall promptly pay such amount to the Lessee.

(f) The Owner Participant agrees that, in the event of the termination of the Lease pursuant to Section 9 thereof, the Owner Participant will pay any fees and commissions of any broker or finder appointed by the Owner Trustee or the Owner Participant, or any fees and commissions payable to the Lessee pursuant to such Section 9, in connection with the sale of the Aircraft. In addition, the Owner Participant agrees to pay or cause to be paid to the Owner Trustee such amounts as may be necessary to enable the Owner Trustee to pay any amounts to the Lessee pursuant to Section 9 or 15 of the Lease as a rebate of any Basic Rent theretofore paid under the Lease.

(g) Each Loan Participant hereby unconditionally agrees to perform its respective obligations under the Trust Indenture (including, without limitation, those contained in Sections 2.04, 2.17 and 2.18 of the Trust Indenture) as though such obligations were fully set forth herein.

(h) The Owner Trustee, in its capacity as Owner Trustee, will not incur any indebtedness for money borrowed, or enter into any business or other activity, except as contemplated hereby and by the other Operative Documents.

(i) The Indenture Trustee in its individual capacity hereby unconditionally agrees with and for the benefit of the parties to this Agreement that the Indenture Trustee in its individual capacity or as Indenture Trustee will not directly or indirectly create, incur, assume or suffer to exist any Liens on or against any part of the Trust Estate, the Indenture Estate or the Aircraft arising out of any act or omission of or claim against the Indenture Trustee in its individual capacity, and the Indenture Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary duly to discharge and satisfy in full (i) all such Liens attributable to the Indenture Trustee in its individual capacity and (ii) any other liens or encumbrances attributable to the Indenture Trust-

ee in its individual capacity on any part of the Trust Estate or the Indenture Estate which result from claims against the Indenture Trustee in its individual capacity not related to the administration of the Indenture Estate. The Indenture Trustee hereby agrees to indemnify and hold harmless the Lessee, the Owner Trustee and each Participant from and against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as a result of the failure of the Indenture Trustee to discharge and satisfy any such Lien or such other lien or encumbrance.

(j) The Owner Trustee agrees that any profit, income, interest, dividend or gain realized upon the maturity, sale or other disposition of any Permitted Investment made by the Indenture Trustee pursuant to Section 3.07(b) of the Trust Indenture, and paid to the Lessee on behalf of the Owner Trustee by the Indenture Trustee in accordance with the terms of such Section 3.07(b), shall be entirely for the account of, and the sole property of, the Lessee who, for such purposes, shall not be deemed to be acting as agent of the Owner Trustee, and the Lessee shall have no obligation to pay over such income, interest, dividend or gain to the Owner Trustee.

(k) Each of the Indenture Trustee and each Loan Participant, by its acceptance of a Certificate, hereby irrevocably agree, to the maximum extent permitted by law, that, in any case in which any Person (other than the Lessee alone) is the debtor or one of the debtors under the Bankruptcy Code, each of the Indenture Trustee and each Loan Participant shall be deemed to have made a timely election pursuant to Section 1111(b)(1)(A)(i) of the Bankruptcy Code (or any substantively comparable provision which is the successor thereto) as to the Indenture Estate (which is acknowledged and agreed not to include Excepted Property).

(l) [intentionally omitted].

(m) Each of the Owner Participant and the Owner Trustee hereby agrees, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; provided that prior to any such change in the country of registry of the Aircraft (other than a change in the country of registry that results in the

registration of the Aircraft under the laws of the United States of America), the Owner Participant, the Owner Trustee, the Indenture Trustee and the Loan Participants shall have received from counsel to the Lessee reasonably satisfactory to the Owner Participant, the Owner Trustee, the Indenture Trustee and the Loan Participants an opinion to the effect that (i) the terms of any relevant sublease and the Lease are legal, valid, binding and enforceable in such country to substantially the same extent as such documents are at that time enforceable in the United States, (ii) there is no statutory, regulatory or case law in such country imposing tort liability on the owner of an aircraft not in possession thereof, or on a lender providing funds for the purchase of an aircraft, under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such an owner or lender under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Owner Participant, such opinion shall be waived if insurance reasonably satisfactory to the Owner Participant and the Indenture Trustee is provided by the Lessee to cover the risk of such liability), (iii) such re-registration will not result in the imposition by such country of any Taxes on the Owner Trustee, the Owner Participant, the Indenture Trustee or any Loan Participant for which the Lessee is not required to indemnify the Owner Participant, the Owner Trustee, the Indenture Trustee or any Loan Participant, as the case may be (provided that in lieu of the opinion referred to in this clause (iii) the Lessee may indemnify the Owner Participant, the Owner Trustee or the Loan Participants, as the case may be, for any Taxes imposed by such country in connection with or relating to the transactions contemplated by the Operative Documents which would not have been imposed but for such re-registration); (iv) there exist no possessory rights in favor of the Lessee or any sublessee under the laws of such country which would, upon bankruptcy of or other default by the Lessee or any sublessee, prevent the return of the Aircraft to the Owner Trustee in accordance with and when permitted by the terms of Sections 14 and 15(a) of the Lease upon the exercise by the Owner Trustee of its remedies under Section 15(a) of the Lease; (v) it is not necessary for the Owner Participant or the Owner Trustee to qualify to do business in such jurisdiction solely as a result of the proposed re-registration; (vi) the laws of such country require fair compensation by the government of such country for the

loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Lessee shall have provided contemporaneously with such re-registration insurance reasonably satisfactory to the Lessor, the Owner Participant and the Indenture Trustee covering the risk of requisition of use of the Aircraft by the government of such country so long as the Aircraft is registered under the laws of such country); (vii) the Lessee shall have paid or made provision for the payment of all expenses of the Owner Participant, the Owner Trustee and the Loan Participants in connection with such change in registration; and (viii) solely in the case of the Indenture Trustee, after giving effect to such change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a valid and duly perfected lien and that all filing, recording or other action necessary to perfect and protect the Lien of the Indenture has been accomplished (or if such opinion cannot be given at the time by which the Indenture Trustee has been requested to consent to a change in registration, (I) the opinion shall detail what filing, recording or other action is necessary and (II) the Indenture Trustee shall have received a certificate from the Lessee that all possible preparations to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Indenture Trustee on or prior to the effective date of such change in registration); and provided, further, that (x) the Owner Trustee, the Owner Participant and the Loan Participants shall have received prior to or contemporaneously with such re-registration (1) a certificate of insurance signed by an independent insurance broker to the effect that the Aircraft is and after such re-registration will continue to be insured in such country in accordance with the requirements of Section 11 of the Lease, (2) a certificate signed by a duly authorized officer of the Lessee stating that no Event of Default exists as of the date of such certificate and no Event of Default will occur or exist upon or resulting from such re-registration, (3) evidence and assurances reasonably satisfactory to such parties, that the aircraft and engine maintenance standards under the laws of such country of reregistration are substantially similar to those required by the central civil aviation authority of any of the United States, the United Kingdom, the Federal Republic of Germany, France, Canada or Japan, and (4) in the case of the Owner Participant only, as-

surances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have made arrangements reasonably satisfactory to the Owner Participant that all payments to be made by or on behalf of the Lessee under the Operative Documents and by any sublessee under the relevant sublease will be paid in U.S. Dollars) and (y) the Lessee shall not cause the Aircraft to be registered pursuant to Section 7(a)(i) of the Lease under the laws of any foreign jurisdiction without the prior written consent of the Owner Participant if (1) the civil aviation laws of such foreign jurisdiction impose unusual requirements on registrants of civil aircraft, and (2) the Owner Participant would be required to comply with such unusual requirements upon the registration of the Aircraft in such foreign jurisdiction, and the Owner Participant's compliance therewith would result in a material burden on the Owner Participant's business activities.

(n) Each of the Indenture Trustee and each Loan Participant hereby agrees, subject to the terms of Section 7(m) hereof, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease.

(o) The Indenture Trustee hereby agrees to give the Lessee notice (the "Notice") not later than the date that is five Business Days prior to January 1 of each year in which the Indenture shall be in effect, commencing on December 24, 1992, whether (x) there are any undistributed funds held in either the Trust Estate or the Indenture Estate, except such funds as shall be invested in those types of obligations or evidences of debt as are described in Section 48-6-22(1), O.C.G.A., i.e., obligations or evidences of debt of the United States, including obligations of the United States government agencies and corporations established by acts of the Congress of the United States, and obligations or evidences of debt of the State of Georgia or its political subdivisions or public institutions, including industrial development revenue bonds issued pursuant to the laws of the State of Georgia, (y) there are receivables then due and owing to the Indenture Estate and unpaid, or (z) the Indenture Estate or the Indenture Trustee holds legal title to any intangible personal property not expressly contemplated by the Operative Documents other than intangible personal property which is exempt from taxation under the pro-

visions of Section 48-6-22, O.C.G.A., and, if the Notice would on any date thereafter and prior to such January 1 be untrue, immediately to so notify the Lessee.

(p) Except to the extent provided in the following sentence and in Section 9(q) hereof and except for a purchase of the Loan Certificates pursuant to Section 2.13 of the Trust Indenture, each Loan Participant agrees that it will not sell, assign, pledge or otherwise transfer all or any portion of any Certificate or the indebtedness evidenced thereby without the prior written consent of the Lessee, which consent shall not be unreasonably withheld, provided that under no circumstances may any such sale, assignment, pledge or transfer (other than a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture) be made to any Person not meeting the requirements set forth in clause (c) of the definition of Permitted Transferee. Notwithstanding the foregoing, each Loan Participant may sell, assign, pledge or otherwise transfer all or any portion of any of its Certificates or the indebtedness evidenced thereby to a Permitted Transferee without such consent, provided that such sale, assignment, pledge or transfer does not violate any applicable laws and such Loan Participant and such Permitted Transferee shall have executed and delivered a transfer agreement in the form attached as Exhibit XII hereto, and provided, further, that no Loan Participant may grant participations in any Loan Certificate or Certificates unless such grant shall be made in accordance with Section 9(q). Each Loan Participant hereby agrees that (x) any such sale, assignment, pledge, transfer or grant of participation shall be made in accordance with this Section 9(p) or Section 9(q), as the case may be, and so as not to violate any applicable laws, including without limitation the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, and any other applicable laws relating to the transfer of similar interests and (y) no such sale, assignment, pledge, transfer or grant of participation shall be made under circumstances that require registration under such Securities Act or qualification of an indenture under such Trust Indenture Act.

(q) Each Loan Participant agrees that it will not grant participations (including, without limitation, "risk participations") in or to all or a portion of its rights and obligations in respect of the Certificates and any amounts from time to time payable to it in respect

thereof, unless (A) in the case of each such participation, such participation is made to a Permitted Transferee, (B) such Loan Participant's obligations under the Operative Documents shall remain unchanged, including, without limitation, under Section 2.13 of the Trust Indenture, (C) such Loan Participant shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (D) such Loan Participant shall remain the Holder of its Loan Certificates, and the other parties to the Operative Documents shall continue to deal solely and directly with such Loan Participant in connection with its Loan Certificates and the Loan Participant's rights and obligations under the Operative Documents. The liability of the Owner Trustee in respect of increased costs, Break Amount and taxes under Section 2.04, 2.17 or 2.18 of the Trust Indenture, and the liability of the Lessee under Section 7(c) hereof in respect of amounts payable directly to the Loan Participants, shall not, as a result of any participation granted by any Loan Participant, exceed what would have been its liability thereunder if such Loan Participant had not granted any such participation. Each Loan Participant may, in connection with any participation or proposed participation pursuant to this Section 9(q), disclose to the participant or proposed participant any information relating to the Operative Documents or to the parties thereto furnished to such Loan Participant thereunder or in connection therewith and permitted to be disclosed by such Loan Participant; provided, however, that prior to any such disclosure, the participant or proposed participant shall agree in writing for the benefit of the Owner Participant and the Lessee to preserve the confidentiality of any confidential information included therein.

(r) NationsBank of Georgia, National Association, hereby agrees that it will perform all of its administrative duties under this Agreement and the other Operative Documents (whether in its individual capacity or as Indenture Trustee) solely in the State of Georgia, except to the extent necessary to exercise any of its rights or remedies to the extent permitted by applicable laws in connection with an Indenture Event of Default, an Indenture Default, an Event of Default or an event that with notice or lapse of time or both would become an Event of Default.

(s) The Owner Trustee and the Owner Participant agree with the Lessee that, so long as no Event of Default

under Section 14(a), (f), (g), (h) or (i) of the Lease shall have occurred and be continuing, the Owner Trustee will exercise its rights under Section 2.04(g) of the Trust Indenture solely at the Lessee's request and direction.

Section 10. Other Documents. The Owner Participant agrees to comply with all of the terms of the Trust Agreement (as the same may hereafter be amended from time to time in accordance with the terms thereof) applicable to it and with Sections 7, 9, 11, 12 and 15 of the Lease.

SECTION 11. Conditions Precedent to the Lessee's Obligations.

(a) The Lessee's obligation to sell the Aircraft to the Owner Trustee and to lease the Aircraft on the Delivery Date is subject to the fulfillment to the satisfaction of the Lessee prior to or on the Delivery Date of the following conditions precedent, which fulfillment to the satisfaction of the Lessee shall be evidenced by acceptance of the Aircraft by the Lessee under the Lease:

(i) the documents referred to in clauses (i) through (xi) of Section 4(E) shall have been duly authorized, executed and delivered by the respective party or parties thereto (other than the Lessee), shall be in full force and effect and copies thereof shall have been delivered to the Lessee, and the Lessee shall have received such documents and evidence with respect to the Owner Participant, the Owner Trustee and the Indenture Trustee as the Lessee may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate and other proceedings in connection therewith and compliance with the conditions herein or therein set forth;

(ii) the Owner Trustee shall have whatever title was conveyed to it by the Lessee pursuant to the Bills of Sale (subject to filing and recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens, except Liens permitted by the terms of the Lease, the lien of, and security interest created by, the Trust Indenture and the beneficial interest of the Owner Participant

created by the Trust Agreement and the Trust Agreement and Indenture Supplement covering the Aircraft, the rights of the Owner Trustee as registered owner with the Federal Aviation Administration and the rights of the Lessee under the Lease and the Lease Supplement covering the Aircraft;

(iii) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall have been duly filed for recordation (or shall be in the process of being so duly filed for recordation) with the Federal Aviation Administration pursuant to the Federal Aviation Act;

(iv) an application for registration of the Aircraft in the name of the Owner Trustee shall have been duly made with the Federal Aviation Administration and the Lessee shall have authority to operate the Aircraft;

(v) on the Delivery Date the representations and warranties of the Original Loan Participant, the Owner Participant and the Owner Trustee contained in Section 8 hereof and the representations and warranties of the Owner Trustee contained in Section 4 of the Lease shall be correct as though made on and as of such date, or if such representations and warranties relate solely to an earlier date, as of such earlier date, and each of such parties shall have so certified to the Lessee;

(vi) the Lessee shall have received each opinion referred to in paragraphs (K) through (O) of Section 4 (other than the opinion of Vedder, Price, Kaufman & Kammholz, referred to in clause (M)(y) of Section 4), each such opinion addressed to the Lessee or accompanied by a letter from the counsel rendering such opinion authorizing the Lessee to rely on such opinion as if it were addressed to the Lessee, and the certificates referred to in paragraphs (Q), (R) and (S) of Section 4;

(vii) in the event of a Change in Tax Law which has occurred since the date of execution hereof, any

proposed adjustment to the payments of Basic Rent pursuant to Section 3(e) of the Lease and Section 18 hereof shall not have resulted in an increase in the present value of all payments of Basic Rent which in the Lessee's sole judgment shall have caused the transaction to be uneconomic; and

(viii) no change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that would make it illegal for the Lessee to enter into any transaction contemplated by the Operative Documents.

Notwithstanding any of the foregoing, the Lessee's performance under this Agreement shall not be subject to the satisfaction of any condition within its control or any condition which may have been satisfied by the performance of the Lessee hereunder.

(b) In the event that (i) the foregoing conditions precedent shall not have been fulfilled on or prior to the Delivery Date (or waived by the Lessee) as provided above, or (ii) either the Owner Participant or the Original Loan Participant shall not have delivered its Commitment to the Owner Trustee on the Delivery Date notwithstanding the satisfaction of the conditions (other than those within the control of the Owner Participant or the Original Loan Participant, as applicable) set forth in Section 4 hereof, if the Lessee so elects, this Agreement, the Lease, the Tax Indemnity Agreement and the Purchase Agreement Assignment shall thereupon terminate and be of no further force and effect, except to the extent otherwise provided herein or therein. Promptly following the termination of this Agreement, the Lessee shall notify the other parties hereto in writing of such termination.

SECTION 12. Liabilities of the Owner Participant and the Loan Participants. Neither the Owner Participant nor any Loan Participant shall have any obligation or duty to the Lessee with respect to the transactions contemplated hereby except those obligations or duties expressly set forth in this Agreement or, in the case of the Owner Participant, the Tax Indemnity Agreement. Without limiting the generality of the foregoing, under no circumstances whatsoever shall the Owner Participant, as such, or any Loan Participant, as such, be

liable to the Lessee for any action or inaction on the part of the Owner Trustee or the Indenture Trustee in connection with the Trust Indenture, the Trust Agreement, the Lease, the Aircraft, the administration of the Trust Estate or the Indenture Estate or otherwise, whether or not such action or inaction is caused by the willful misconduct or gross negligence of the Owner Trustee or the Indenture Trustee unless such action or inaction is at the direction of the Owner Participant (in the case of action or inaction on the part of the Owner Trustee) or such Loan Participant (in the case of action or inaction on the part of the Indenture Trustee).

SECTION 13. Certain Covenants of the Lessee. The Lessee covenants and agrees with the Owner Participant, each Loan Participant, the Indenture Trustee and the Owner Trustee as follows:

(A) Upon the delivery and acceptance of the Aircraft under the Lease, the Lessee will cause to be done, executed, acknowledged and delivered all and every such further acts, conveyances and assurances as the Owner Trustee, the Owner Participant, the Original Loan Participant or the Indenture Trustee shall require for accomplishing the purposes of this Agreement and the other Operative Documents. The Lessee forthwith upon delivery of the Aircraft under the Lease shall cause the Aircraft to be duly registered and at all times thereafter to remain duly registered, in the name of the Owner Trustee, except as otherwise required or permitted hereunder or under the Lease, under the Federal Aviation Act, or shall furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to make application for such registration, and shall promptly furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to timely file any reports required to be filed by it as the Lessor under the Lease or as the owner of the Aircraft with any governmental authority because of the Owner Trustee's ownership of the Aircraft.

(B) The Lessee will cause the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft

to be promptly filed and recorded, or filed for recording, to the extent permitted under the Federal Aviation Act, and the rules and regulations of the Federal Aviation Administration thereunder, or required under any other applicable law. Upon the execution and delivery of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall be filed for recording with the Federal Aviation Administration in the following order of priority: first, the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, second, the Lease, to be effected by so filing the Lease with such Lease Supplement, the Trust Indenture and such Trust Agreement and Indenture Supplement attached thereto, and third, the Trust Indenture, to be effected by so filing the Trust Indenture with the Trust Agreement and such Trust Agreement and Indenture Supplement attached thereto. The Lessee shall, upon request from any of the parties hereto, provide photocopies of the file-stamped copies of all documents filed or recorded with the FAA.

(C) The Lessee will furnish to the Owner Trustee and the Indenture Trustee annually after the execution hereof (but not later than March 15th of each year), commencing with the year 1993, an opinion of Crowe & Dunlevy, P.C., or other counsel reasonably acceptable to the Owner Trustee and the Indenture Trustee, stating either:

(i) that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and re-filing of the Lease, the Trust Indenture, the Trust Agreement and any supplements thereto, including any financing or continuation statements, and such other filings and recordings as is necessary to maintain, for the 15-month period succeeding the date of such opinion, the rights and interests of the Owner Trustee in and to the Aircraft, and, with respect to the Trust Indenture, the perfection of the security interests created

thereby and reciting the details of such action; or

(ii) that in the opinion of such counsel no such action is necessary to maintain, for the 15-month period succeeding the date of such opinion, the perfection of such rights and interests and security interests.

(D) The Lessee shall at all times maintain its corporate existence except as permitted by Section 13(E) hereof. The Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its rights (charter and statutory) and franchises; provided, however, that the Lessee shall not be required to preserve any right or franchise if its Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Lessee. The Lessee shall, for so long as and to the extent required under Section 1110 of the Bankruptcy Code in order that the Owner Trustee and the Indenture Trustee be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the right to repossess the Airframe, Engines and Parts as provided in the Lease, remain an "air carrier" within the meaning of Section 101(16) of the Federal Aviation Act.

(E) The Lessee shall not consolidate with or merge into any other corporation or convey, transfer or lease substantially all of its assets as an entirety to any Person, unless:

(i) the corporation formed by such consolidation or into which the Lessee is merged or the Person which acquires by conveyance, transfer or lease substantially all of the assets of the Lessee as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, and shall execute and deliver to the Owner Trustee, the Owner Participant, and the Indenture Trustee an agreement in form reasonably satisfactory to each thereof containing the assumption by such successor corporation of the due and punctual performance

and observance of each covenant and condition of this Agreement, the Lease, the Purchase Agreement Assignment and the Tax Indemnity Agreement, and each other Operative Document to which the Lessee is a party, to be performed or observed by the Lessee;

(ii) immediately after giving effect to such transaction, no Event of Default under the Lease, and no event which, after notice or lapse of time, or both, would become such an Event of Default, shall have occurred and be continuing; and

(iii) the Lessee shall have delivered to the Owner Trustee, the Owner Participant and the Indenture Trustee a certificate signed by a Responsible Officer of the Lessee, and an opinion of counsel to the Lessee (which may be Lessee's General Counsel), each stating that such consolidation, merger, conveyance, transfer or lease and the assumption agreement mentioned in clause (i) comply with this Section 13(E) and that all conditions precedent herein provided for relating to such transaction have been complied with (except that such opinion need not cover the matters referred to in clause (ii) above and may rely, as to factual matters, on a certificate of an officer of the Lessee) and, in the case of such opinion, that such assumption agreement has been duly authorized, executed and delivered by such successor corporation and is enforceable against such successor corporation in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity.

Upon any consolidation or merger, or any conveyance, transfer or lease of substantially all of the assets of the Lessee as an entirety in accordance with this Section 13(E), the successor corporation formed by such consolidation or into which the Lessee is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Lessee under this Agreement and the other Operative Docu-

ments with the same effect as if such successor corporation had been named as the Lessee herein. No such conveyance, transfer or lease of substantially all of the assets of the Lessee as an entirety shall have the effect of releasing the Lessee or any successor corporation which shall theretofore have become such in the manner prescribed in this Section 13(E) from its liability hereunder. Nothing contained herein shall permit any lease, sublease or other arrangement for the use, operation or possession of the Aircraft except in compliance with the applicable provisions of the Lease.

(F) The provisions of the penultimate paragraph of Section 3(b) and Sections 3(c), 17 and 22 of the Lease are hereby incorporated by reference herein for the express benefit of each Loan Participant. The Lessee shall notify the Indenture Trustee and the Owner Trustee thirty days prior to any change in the location of the chief executive office of the Lessee. In the event the Aircraft is requisitioned for use by the Government pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv) of the Lease, the Lessee shall provide the Owner Trustee and the Indenture Trustee with the name and address of the Contracting Office Representative for the Military Airlift Command of the United States Air Force for notification as required under Section 15 of the Lease.

SECTION 14. Owner for Tax Purposes. The Lessee, the Owner Trustee and the Owner Participant hereby agree that for Federal income tax purposes during the Term the Owner Participant will be the owner of the Aircraft and the Lessee will be the lessee thereof. Nothing contained in this Section 14 shall be construed to limit Lessee's use and operation of the Aircraft under the Lease or constitute a representation by the Lessee as to tax consequences.

SECTION 15. Certain Definitions; Notices. (a) The following terms, when used in capitalized form, have the following meanings (and such meanings shall be equally applicable to both the singular and the plural forms of the terms herein defined):

"Affiliated Group" means an affiliated group of corporations, within the meaning of Section 1504 of

the Code, filing or that will file a consolidated Federal income tax return.

"After-Tax Basis" means, with respect to any payment received or accrued by any Person, the amount of such payment supplemented by a further payment or payments (which shall be payable either simultaneously or, in the event that Taxes resulting from the receipt or accrual of such payment are not payable in the year of receipt or accrual, at the time or times such Taxes become payable) so that the sum of all such payments, after deduction of all Taxes (after taking into account any credits or deductions or other Tax benefits arising therefrom and from the underlying payment, to the extent such are currently utilized) resulting from the receipt or accrual of such payments (whether or not such Taxes are payable in the year of receipt or accrual) imposed by any Taxing Authority, shall be equal to the payment received or accrued.

"American" shall have the meaning set forth in the first paragraph hereof.

"Applicable Jurisdiction" shall have the meaning set forth in the definition of "Permitted Transferee" below.

"Bankruptcy Code" shall have the meaning set forth in the Trust Indenture.

"Bills of Sale" shall have the meaning set forth in Section 4(E)(x) hereof.

"Break Funding Gain" shall have the meaning set forth in the Trust Indenture.

"Claim" shall have the meaning set forth in Section 7(b) hereof.

"Commitment" shall have the meaning set forth in Section 1 hereof.

"Debt Rate" shall have the meaning set forth in the Trust Indenture.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Excess Payment Amount" shall have the meaning set forth in Section 16(a) hereof.

"Excess Payment Differential Amount" shall have the meaning set forth in Section 16(a) hereof.

"FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(ix) hereof.

"Foreign Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Indemnitee" shall have the meaning set forth in Section 7(b) hereof.

"Indenture" or "Trust Indenture" shall have the meaning set forth in the recitals hereof.

"Indenture Default" shall have the meaning set forth in the Trust Indenture.

"Indenture Trustee" shall have the meaning set forth in the first paragraph hereof.

"Interest Payment Date" shall have the meaning set forth in the Trust Indenture.

"Interest Period" shall have the meaning set forth in the Trust Indenture.

"Lease" shall have the meaning set forth in the recitals hereof.

"Lessee" shall have the meaning set forth in the first paragraph hereof.

"LIBOR Loan" shall have the meaning set forth in the Trust Indenture.

"LIBOR Rate" shall have the meaning set forth in the Trust Indenture.

"London Business Day" shall mean any day in which normal dealings in dollar deposits in the London interbank market are carried on.

"Loss" shall have the meaning set forth in the Tax Indemnity Agreement.

"Majority in Interest of Certificate Holders" shall have the meaning set forth in the Trust Indenture.

"Manufacturer's FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(viii) hereof.

"Manufacturer's Subsidiary" shall have the meaning set forth in the recitals hereof.

"Manufacturer's Subsidiary's FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(vii) hereof.

"New York Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York.

"Operative Documents" means this Agreement, the Lease, the Lease Supplement, the Trust Indenture, the Purchase Agreement Assignment, the Tax Indemnity Agreement, the Trust Agreement and the Trust Agreement and Indenture Supplement.

"Original After-Tax Yield" shall mean the after-tax economic yield expected by the original Owner Participant with respect to its investment in the Aircraft, utilizing the multiple investment sinking fund method of analysis.

"Owner Participant" shall have the meaning set forth in the first paragraph hereof.

"Owner Participant's Net Economic Return" shall mean (i) the Original After-Tax Yield and (ii) total aggregate after-tax cash flow expected by the original Owner Participant with respect to the Aircraft, in each case utilizing the same assumptions as used by such Owner Participant (including the Tax Assump-

tions set forth in Section 2 of the Tax Indemnity Agreement and the assumption that the Certificates will bear interest at the Assumed Debt Rate throughout the Term and that principal will be payable on the Certificates according to Exhibit D to the Rent Schedule as of the Delivery Date) in determining the Basic Rent, Stipulated Loss Value and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted from time to time to take into account the impact of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages for Basic Rent, Stipulated Loss Value or Termination Value.

"Owner Participant's Revised Net Economic Return" shall mean (i) the Original After-Tax Yield and (ii) total aggregate after-tax cash flow expected by the original Owner Participant with respect to the Aircraft, in each case utilizing the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement and the assumption that the Certificates will bear interest at the Assumed Debt Rate throughout the Term and that principal will be payable on the Certificates according to an optimized amortization schedule throughout the Term) in determining the alternate Basic Rent, Stipulated Loss Value and Termination Value schedules with respect to the Term that have been furnished to the Lessee and placed in escrow with Sidley & Austin in accordance with Section 18(d), as such assumptions may be adjusted from time to time to take into account the impact of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages for Basic Rent, Stipulated Loss Value or Termination Value.

"Owner Trustee" shall have the meaning set forth in the first paragraph hereof.

"Permitted Transferee" shall mean any Person that:

- (a) is not a commercial air carrier; and
- (b) is either

(i) a commercial banking institution organized under the laws of the United States or any State thereof; or

(ii) a commercial banking institution (or, in the case of NMB Lease N.V., a financial institution) that (x) is organized under the laws of the United Kingdom, France, Germany or The Netherlands (each, an "Applicable Jurisdiction"), (y) is entitled on the date it acquires any Loan Certificate to a complete exemption from income Taxes imposed by the United States federal government on all income derived by it hereunder and under the Loan Certificates under an income tax treaty, as in effect on such date, between the United States and the Applicable Jurisdiction, and (z) is engaged in the active conduct of a banking business in the Applicable Jurisdiction, holds its Loan Certificates in connection with such banking business and is regulated as such by the appropriate regulatory authorities in the Applicable Jurisdiction; or

(iii) a commercial banking institution that is (x) organized under the laws of the United Kingdom, Switzerland, France, Germany, The Netherlands, Luxembourg, Sweden, Austria, Australia, Canada, Italy, Japan or Ireland and (y) on the date it acquires any Loan Certificate, under the Code as in effect on such date is not subject to United States federal withholding Tax on any income derived by it from the transactions contemplated by the Operative Documents by reason of such income being effectively connected with the conduct of a trade or business within the United States; and

(c) that can and does represent and agree in a writing addressed to the Loan Participant and stated to be for the benefit of the Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee, that:

(i) it is acquiring its Loan Certificate or participation, as the case may be, for its own account for investment and not with a view to any resale or distribution thereof (other than in compli-

ance with Section 9(p) of the Participation Agreement and the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, and any other applicable laws relating to the transfer of similar interests); and

(ii) either (x) no part of the funds to be used to purchase or fund such Loan Certificate or participation is or will be assets (within the meaning of ERISA and any applicable rules and regulations) of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or any "plan" (as defined in Section 4975(e) of the Code) or (y) that such acquisition will not cause the Lessee or the Owner Participant, as the case may be, to engage in a prohibited transaction under Section 406 or 407 of ERISA or Section 4975 of the Code; and

(d) in the case of the acquisition of a Loan Certificate, has appointed the Original Loan Participant to act as its agent in connection with the Operative Documents and acquires Loan Certificates having an original principal amount of at least \$5,000,000.

"Related Indemnitee Group" shall have the meaning set forth in Section 7(b) hereof.

"Short Period Rate" shall have the meaning set forth in the Trust Indenture.

"Short Period Rate Loan" shall have the meaning set forth in the Trust Indenture.

"Special Purchase Price Yield" shall mean the after-tax economic yield expected by the original Owner Participant with respect to the Aircraft, utilizing the multiple investment sinking fund method of analysis and the same assumptions in determining the Special Purchase Price percentage payable in connection with the alternate rental schedules referred to in the definition of the Owner Participant's Revised Net Economic Return (such Special Purchase Price percentage having been furnished to the Lessee and such assumptions having been placed in escrow with Sidley & Austin in accordance with Section 18(d)).

"State or Local Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Tax" and "Taxes" shall have the meanings set forth in Section 7(c) hereof.

"Tax Indemnatee" shall have the meaning set forth in Section 7(c)(11) hereof.

"Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Transaction Costs" shall have the meaning set forth in Section 18(a) hereof.

"Transferee" shall have the meaning set forth in Section 16(c) hereof.

(b) Any other capitalized term not herein defined, when used herein in capitalized form, shall have the meaning attributed thereto in the Lease.

(c) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice may be given by United States registered or certified mail, postage prepaid, courier service, telegram, telex, telecopy, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telecopy, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered to any party to this Agreement to its address or telex number set forth below the signature of such party at the foot of this Agreement, or to such other address or telex or facsimile number as such party may hereafter specify for such purpose by notice to the other parties hereto.

Section 16. Certain Covenants of the Owner Participant. (a) The Owner Participant hereby agrees to notify the Lessee or cause the Lessee to be notified by telephone, telecopier or telegram not later than 1:00 p.m. New York City time, on the third Business Day prior to the Base Lease Commencement Date stating whether or not the Owner Participant intends to pay an amount equal to \$2,553,000.00 (the "Excess Payment Amount", subject to adjustment pursuant to the following paragraph) in full by 1:00 p.m., New York City time, on the Base Lease Commence-

ment Date. The Owner Participant shall also have the right to reimburse the Lessee at any time for all or any portion of the Reimbursement Amount for which the Lessee has not received an offset pursuant to Section 3(f) of the Lease.

Although the amount of the Excess Payment Amount has been computed on the assumption that each Certificate will bear interest at the Assumed Debt Rate for such Certificate throughout the Interim Period, the Owner Participant and the Lessee recognize that the actual rate of interest on each Certificate may be a rate from time to time which may be greater or less than the Assumed Debt Rate for such Certificate and that the related basis upon which interest on the Certificates will be computed will be as provided in the Trust Indenture. Accordingly, the Excess Payment Amount shall be increased or decreased (but not below zero), as the case may be, by an amount (the "Excess Payment Differential Amount") equal to, as of the Base Lease Commencement Date, the difference between (i) the aggregate amount of interest actually due and payable on the Base Lease Commencement Date on the Certificates for the period from and including the Delivery Date to but excluding the Base Lease Commencement Date, determined as provided in the Trust Indenture, and (ii) the aggregate amount of interest on the Loan Certificates that would have been due and payable on the Base Lease Commencement Date if the outstanding principal amount of such Loan Certificates had borne interest at the Assumed Debt Rate for the period from and including the Delivery Date to but excluding the Base Lease Commencement Date. If, as of the Base Lease Commencement Date, the amount determined in accordance with clause (i) of the immediately preceding sentence shall be greater than the amount determined in accordance with clause (ii) of such sentence, the Excess Payment Amount shall be increased by the Excess Payment Differential Amount. If, as of the Base Lease Commencement Date, the amount determined in accordance with such clause (ii) shall be greater than the amount determined in accordance with such clause (i), the Excess Payment Amount shall be decreased by the Excess Payment Differential Amount. The interest actually accruing with respect to the Certificates shall be as specified by the notification to be delivered by the Original Loan Participant (whether or not it at the time holds any Loan Certificates) to each of the Owner Participant, the Owner Trustee, each other Loan Participant, the Indenture Trustee and the Lessee as provided in Section 1(c) hereof.

(b) The Owner Participant hereby unconditionally agrees with and for the benefit of the other parties to this Agreement that the Owner Participant will not directly or indirectly create, incur, assume or suffer to exist any Lessor's Liens on or against any part of the Trust Estate or the Aircraft arising out of any act or omission of or claim against or affecting any part of the Trust Estate or the Aircraft arising out of any act or omission of or claim against the Owner Participant, and the Owner Participant agrees that it will, at its own cost and expense, take such action as may be necessary to duly discharge and satisfy in full any such Lessor's Lien (by bonding or otherwise, so long as Lessee's operation and use of the Aircraft is not impaired and the lien of the Indenture is not impaired). The Owner Participant hereby agrees to indemnify and hold harmless the Lessee, the Indenture Trustee and each Loan Participant against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as the result of the failure of the Owner Participant to discharge and satisfy any such Lessor's Lien. In addition, the Owner Participant agrees to indemnify, protect, save and keep harmless each Loan Participant from and against any reduction in the amount payable out of the Indenture Estate to such Loan Participant in respect of the Certificates held by such Loan Participant or any other loss, cost or expenses (including reasonable legal fees and expenses) incurred by such Loan Participant, as a result of the imposition or enforcement of, or the Owner Participant's failure to satisfy, any Lessor's Lien or claim against the Indenture Estate by any taxing authority because of the nonpayment by the Owner Participant of any Taxes imposed on or measured by the net income or revenues of the Owner Participant or the Trust Estate that are not required to be indemnified against by the Lessee.

(c) The Owner Participant shall not directly or indirectly assign, convey or otherwise transfer any of its right, title or interest in and to all or any part of this Agreement, the Tax Indemnity Agreement, the Trust Agreement, the Trust Estate, the Indenture Estate, the Purchase Agreement Assignment, the Purchase Agreement or any of the other Operative Documents except that the Owner Participant may assign, convey or otherwise transfer all (but not less than all) thereof if:

(i) (A) the Person to whom such transfer is made (the "Transferee") is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act (without the utilization of a voting trust agreement, voting powers agreement or similar arrangement by the Transferee or any Affiliate thereof unless the Owner Participant obtains the consent of the Lessee and the Indenture Trustee, which consent shall not be unreasonably withheld), and has the requisite power, authority and legal right to enter into and carry out the transactions contemplated hereby; (B) such conveyance does not violate any provisions of the Federal Aviation Act, the Securities Act of 1933, as amended (and no registration pursuant to such Act or the rules and regulations thereunder shall be required in connection with such conveyance), or any other applicable law, or create a relationship which would be in violation thereof, or result in a "prohibited transaction" under ERISA or the Code; (C) the Transferee enters into an agreement or agreements, in form and substance reasonably satisfactory to the Lessee, the Owner Trustee and the Indenture Trustee (the "Assumption Agreement") for the benefit of the Lessee, the Owner Trustee, the Indenture Trustee and the Loan Participants, whereby the Transferee confirms that it shall be deemed a party to this Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement and each other Operative Document to which the Owner Participant is a party, and the party named as the "Owner Participant" in the Trust Agreement, the Lease and the Trust Indenture and agrees to be bound by all of the terms of, and to undertake all of the obligations of the Owner Participant contained in, this Agreement, the Trust Agreement, the Tax Indemnity Agreement and each other Operative Document to which the Owner Participant is a party or by which the Owner Participant is bound, and in which the Transferee shall, as a precondition to any such transfer, make representations and warranties substantially equivalent to those of the Owner Participant contained herein and, in the event such Transferee is a partnership, such additional documents and/or amendments to the Operative Documents (in form and substance reasonably satisfactory to the Lessee, the Owner Trustee and the Indenture Trustee) as the Lessee, the Owner Trustee or the Indenture Trustee may reasonably request; (D) after giving effect to

such assignment, conveyance or transfer, there would be no more than one Owner Participant with respect to the Aircraft; (E) the Owner Participant shall deliver to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee an opinion of counsel (which shall be the general counsel of the Transferee or other counsel reasonably satisfactory to the Lessee and the Indenture Trustee), that the Assumption Agreement has been duly authorized, executed and delivered by the Transferee and is enforceable against such Transferee in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally or by general principles of equity; (F) the Owner Participant shall deliver to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee one or more certificates of a duly authorized officer of the transferor and if necessary transferee Owner Participant concerning, when taken together, all of the matters contained in clauses (A) and (D) of this paragraph (i) and (except in connection with any such assignment, transfer or conveyance to a direct or indirect wholly-owned subsidiary of American Telephone and Telegraph Company) an opinion delivered by counsel of the type referred to in clause (E) to the effect that such transfer complies with the provisions of clauses (A) (except as to citizenship), (B) and (D) of this paragraph (i); and (G) the transferor and/or transferee Owner Participant assumes by an instrument in form and substance reasonably satisfactory to the Lessee and the Indenture Trustee the risk of any adverse tax consequences to any Tax Indemnitee resulting from such conveyance; and

(ii) either (A) the Transferee is a bank or lending institution with a combined capital and surplus of at least \$75,000,000, or is a corporation or domestic partnership with net worth of at least \$75,000,000, exclusive of goodwill, all of the foregoing determined in accordance with generally accepted accounting principles (hereinafter referred to as a "Qualifying Institution"), or (B) if the Transferee is not itself a Qualifying Institution, a parent corporation of the Transferee which qualifies as a Qualifying Institution shall have executed and

delivered to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee an absolute and unconditional guaranty, in form and substance satisfactory to the Lessee and the Indenture Trustee, with respect to the obligations of the Transferee as the Owner Participant assumed by the Transferee under the Assumption Agreement referred to above, and the Transferee shall deliver to the Indenture Trustee (unless the lien of the Trust Indenture is discharged), the Owner Trustee and the Lessee an opinion of counsel (which shall be the general counsel of the Qualifying Institution providing such guaranty or other counsel reasonably satisfactory to the Lessee and the Indenture Trustee) that such guaranty is enforceable against the guarantor in accordance with its terms.

In the event that the Owner Participant is neither American Telephone and Telegraph Company, AT&T Credit Corporation nor any other Affiliate of American Telephone and Telegraph Company, any transfer by direct sale, consolidation, merger or otherwise of 50% or more of the capital stock of the Owner Participant (including, for this purpose, any such transfer of the capital stock of any one of its direct or indirect parent companies or other parent entities, other than its ultimate parent entity) (any such transfer being referred to as a "Change in Control") shall be deemed to be a conveyance by such Owner Participant of its interests in the transactions contemplated by this Agreement subject to this Section 16(c), and accordingly no such Change in Control shall take place without the Lessee's consent unless it satisfies the terms and conditions set forth in this Section 16(c), including without limitation those set forth in paragraphs (i) and (ii) above; provided that no such transfer of the capital stock of an Owner Participant that is American Telephone and Telegraph Company, AT&T Credit Corporation or any other Affiliate of American Telephone and Telegraph Company (or any of the direct or indirect parent companies or other parent entities of any thereof) shall be prohibited by or subject to the terms of this Section 16(c). Notwithstanding the foregoing sentence, if (x) the obligations of such Owner Participant were guaranteed at the time such Owner Participant became the Owner Participant hereunder by a parent entity that was at such time a Qualifying Institution (the "Parent Guarantor"), and (y) following a Change in Control, the Transferee remains both a member of the controlled or consolidated

group of companies of which the Parent Guarantor is a part and a subsidiary of the Parent Guarantor, such Transferee shall comply with the conditions set forth in paragraph (i) above, but shall not be required to satisfy the conditions set forth in paragraph (ii) above; provided that such guaranty of the Parent Guarantor is amended to remain in full force and effect in respect of the Transferee and the Transferee delivers to the Indenture Trustee (unless the lien of the Trust Indenture is discharged), the Owner Trustee and the Lessee an opinion of counsel (which shall be the general counsel of the Parent Guarantor or other counsel reasonably satisfactory to the Lessee) in form and substance satisfactory to the Lessee and the Owner Trustee as to the continued legality, validity and enforceability of such guaranty.

Notwithstanding the foregoing, so long as the Lease is in effect, there shall not be more than five transfers (not including any transfer to any Affiliate of American Telephone and Telegraph Company) by the Owner Participant (including its successors and permitted assigns) pursuant to this Section 16(c) without the prior written consent of the Lessee, such consent not to be unreasonably withheld. Any fees, charges and expenses incurred by the Owner Trustee, the Indenture Trustee, any Loan Participant or the Lessee in connection with any transfer pursuant to this Section 16(c), including, without limitation the out-of-pocket expenses of the Lessee and reasonable legal fees and expenses, will be paid by the transferring Owner Participant and in no case will the Lessee be responsible for any such fees, charges or expenses; provided that the transferring Owner Participant shall be obligated to pay the reasonable fees and expenses of only one counsel to the Loan Participants. Without the consent of the Lessee, no transfer shall be permitted pursuant to this Section 16(c) to a Transferee that is (i) an airline or other commercial operator of aircraft that is a competitor of the Lessee or any of its Affiliates or (ii) a corporation or other entity that is an Affiliate of any such airline or other commercial operator of aircraft.

Upon any such conveyance by the Owner Participant to a Transferee permitted by this Section 16(c), the Transferee shall be deemed the "Owner Participant" for all purposes hereof (unless the context is inappropriate) and shall be deemed to have made all the investments in beneficial ownership of the Aircraft previously made by the

Owner Participant in respect of the right, title and interest so conveyed; and each reference in this Agreement, the Trust Agreement, the Lease, the Tax Indemnity Agreement, the Trust Indenture and the other Operative Documents to the Owner Participant making the transfer shall thereafter be deemed a reference to the Transferee as the Owner Participant (unless the context is inappropriate). Upon any such conveyance by the Owner Participant to a Transferee permitted by the foregoing provisions of this Section 16(c), the transferor Owner Participant shall be relieved of all of its liabilities and obligations hereunder and under the Trust Agreement to the extent of the interest so transferred, provided that in no event will any such conveyance release the transferor Owner Participant from any liability to the extent caused by any breach existing at the time of such conveyance by the Owner Participant of any of its representations, warranties, covenants or obligations contained herein or in the Trust Agreement. If the Owner Participant proposes to transfer its interests pursuant to this Section 16(c), it shall give 20 days' (or, in the case of a transfer where the Transferee is an Affiliate of the Owner Participant making the transfer, 10 days') prior written notice thereof to the Owner Trustee, the Indenture Trustee and the Lessee, specifying the name and address of the transferee and specifying the facts necessary to determine whether the conditions of this Section 16(c) have been or shall be satisfied.

SECTION 17. Optional Redemption of Certificates. (a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Certificates (the "Outstanding Certificates") (such term to include the Certificates originally issued under the Trust Indenture and any refunding indebtedness issued pursuant to this Section 17 or Section 20) pursuant to the Trust Indenture as part of a refunding or refinancing operation. Promptly on receipt of such request, the Owner Participant will negotiate promptly in good faith to conclude an agreement with the Lessee as to the terms of such refunding or refinancing operation and upon such agreement:

(i) the Lessee, the Owner Participant, the Indenture Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting

agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 17, the "Refunding Date") of United States Dollar-denominated debt securities in an aggregate principal amount equal to the sum of the principal amount of the Outstanding Certificates on the Refunding Date and, subject to clause (w) of Section 17(a)(ii), all interest accrued thereon to the Refunding Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Certificates on the Refunding Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Refunding Date is not a Lease Period Date, the Lessee shall on the Refunding Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Outstanding Certificates to the Refunding Date in the event that such interest is not financed through the issuance of debt securities on the Refunding Date (provided that if the Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant may, pursuant to Section 16(a) hereof on the Refunding Date prepay the Excess Payment Amount), (x) Basic Rent payable in respect of the period from and after the Refunding Date shall be recalculated to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to any Section 20 Refinancing, the Owner Participant's Revised Net Economic Return), (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Refunding Date shall be appropriately recalculated to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the Owner Participant's Revised Net Economic Return) and (z) the Special Purchase

Price and the Special Purchase Option Date shall be recalculated as provided in Section 18;

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 17 in like manner as the Certificates issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will materially increase the liabilities of or impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that (w) there shall be no more than two such refundings or refinancings (not including the Section 20 Refinancing), (x) if within 15 days after receipt of a request from the Lessee to effect a refunding or refinancing pursuant to this Section 17, which request specifies the proposed structural terms and the amount thereof, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the refunding or refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the refunding or refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect such refunding or refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant;

provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, a refinancing or refunding will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes, (y) no such refinancing or refunding shall require an increase in the amount of the Owner Participant's investment in the beneficial ownership of the Aircraft or shall cause the ratio of the newly issued debt to the Owner Participant's then outstanding investment in the Aircraft to be more than 4 to 1 and (z) except with respect to matters relating to taxes, no such refunding or refinancing will materially increase the liabilities of or impair the rights of the Owner Participant. In addition, if any such refunding or refinancing occurs after the Section 20 Refinancing, neither the refunding or refinancing, nor any related adjustment of Basic Rent, shall increase or decrease the periodic earnings (as defined in Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board) of the Owner Participant for any calendar year in the period (if any) from the date of such refunding or refinancing to December 31, 1998 each by an amount greater than 10% of the amount of earnings expected for each such calendar year immediately prior to such refunding or refinancing.

(c) The Certificates, and any other debt instruments issued in connection with any refunding or refinancing operation permitted by this Section 17, shall not be subject to optional redemption by the Owner Trustee without the consent of the Lessee (except as provided in Section 2.13 of the Trust Indenture).

SECTION 18. Calculation of Adjustments to Basic Rent, Stipulated Loss Value, Termination Value, etc.; Confirmation and Verification.  
(a) Calculation of Adjustments. In the event that (A) the expenses paid by the Owner Participant pursuant to Section 9(a) hereof (except for any expenses paid or payable to any financial advisor to the Owner Participant) and such other expenses as the Lessee shall expressly agree in writing shall be deemed to be "Transaction Costs" (collectively, the "Transaction Costs") are less or more than 0.5% of Lessor's Cost, or (B) prior to the acceptance of the Aircraft on the Delivery Date: (1) there shall have occurred a Change in Tax

Law and (2) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 hereof to decline to proceed with the transaction, or (C) a refinancing or refunding as contemplated by Section 17 hereof occurs (it being understood that if the Refunding Date occurs on or prior to the Base Lease Commencement Date, any recalculations pursuant to this clause (C) shall take into account any prepayment by the Owner Participant on such Refunding Date of the Excess Payment Amount pursuant to Section 16(a) hereof under clause (w) of Section 17(a)(ii) hereof or under clause (w) of Section 20(a)(ii) hereof), or (D) the Delivery Date is other than July 9, 1992, or (E) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (after adjustment for any Excess Payment Differential Amount) is other than \$2,553,000.00, then, in each case, the Owner Participant shall recalculate the payments of Basic Rent and Stipulated Loss Values, Termination Values and the Excess Payment Amount with respect to the Term (i) to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the Owner Participant's Revised Net Economic Return) and (ii) to minimize to the greatest extent possible, consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in the event of a refinancing or refunding referred to in clause (C) of the preceding sentence, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in a manner consistent with the procedures specified in the second sentence of Section 20(c). In performing any such recalculations, the Owner Participant shall utilize the same methods and assumptions originally used to calculate the payments of Basic Rent, Stipulated Loss Values, Termination Values and Special Purchase Price Percentage with respect to the Term (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the same methods and assumptions originally used by the original Owner Participant in the calculation of the alternate schedules referred to in the definition of the Owner Participant's Revised Net Economic Return and the Special Purchase Price Percentage and held in escrow by Sidley & Austin pursuant to Section 18(d)) (in each case as such assumptions may be changed as a result of the

event described in clause (A), (B), (C) or (D) of the second preceding sentence necessitating such recalculation or due to the prior occurrence of any such event or the prior occurrence of the Section 20 Refinancing); provided that, Basic Rent, as so recomputed, shall comply with the requirements of Sections 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

(b) Confirmation and Verification. Upon completion of any recalculation described above in Section 18(a), a duly authorized officer of the Owner Participant shall provide a certificate to the Lessee either (x) stating that the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage as are then applicable do not require change, or (y) setting forth such adjustments to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage as have been calculated by the Owner Participant in accordance with Section 18(a) above and Section 3(e) of the Lease. Such certificate shall describe in reasonable detail the basis for any such adjustments. If the Lessee shall so request, the recalculation of any such adjustments described in this Section 18 shall be verified by a nationally recognized firm of independent public accountants jointly selected by the Lessee and the Owner Participant (provided that such firm of independent public accountants shall not be regularly retained by either the Lessee or the Owner Participant). A representative of such firm shall be shown, on a confidential basis, the original assumptions used by the Owner Participant and held in escrow by Sidley & Austin pursuant to Section 18(d) and the methods used by the Owner Participant in the original calculation of, and any recalculation of, Basic Rent, Stipulated Loss Values and Termination Values and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the same methods and assumptions originally used by the original Owner Participant in the calculation

of the alternate schedules referred to in the definition of the Owner Participant's Revised Net Economic Return and the Special Purchase Price Percentage held in escrow by Sidley & Austin pursuant to Section 18(d)). The reasonable costs of such verification shall be borne by the Lessee, unless as a result of such verification process the payments of Basic Rent are adjusted and such adjustment causes (i) the present value of the payments of Basic Rent, discounted semi-annually at the Assumed Debt Rate, to decline by five basis points or more from the present value of the payments of Basic Rent, discounted semi-annually at the Assumed Debt Rate, certified by the Owner Participant pursuant to this Section 18(b) or (ii) any Stipulated Loss Value or Termination Value percentage or, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage, to be significantly below that certified by the Owner Participant pursuant to this Section 18(b), in which case the Owner Participant shall be responsible for the reasonable costs of such verification. In connection with any adjustment pursuant to this Section 18 or Section 20, the Owner Participant, the Lessee, the Owner Trustee and the Indenture Trustee shall enter into an appropriately revised Rent Schedule.

(c) Payment of Debt Service. No adjustment may be made to the payments of Basic Rent or to Stipulated Loss Values or Termination Values with respect to the Term, unless (i) each installment of Basic Rent (or, in the case of the Base Lease Commencement Date, the Excess Payment Amount), as so adjusted, under any circumstances and in any event, will be in an amount at least sufficient for the Owner Trustee to pay in full as of the due date of such installment any payment of principal or interest on the Certificates required to be paid on the due date of such installment of Basic Rent (or on the Base Lease Commencement Date, as the case may be) and (ii) Stipulated Loss Value and Termination Value, as so adjusted, under any circumstances and in any event, will be an amount which, together with any other amounts required to be paid by the Lessee under the Lease in connection with an Event of Loss or a termination of the Lease, as the case may be, will be at least sufficient to pay in full, as of the date of payment thereof, the aggregate unpaid principal of and all unpaid interest on the Certificates accrued to the date on which Stipulated Loss Value or Termination Value, as the case may be, is paid in accordance with the terms of the Lease.

(d) Escrow. The Owner Participant agrees to place in escrow with Sidley & Austin, and to cause Sidley & Austin to retain, (i) the assumptions and methods utilized by the Owner Participant in the calculation of the schedules of Basic Rent, Termination Value and Stipulated Loss Value referred to the definition of the Owner Participant's Net Economic Return, and in the calculation of the Special Purchase Price Percentage as of the Delivery Date, (ii) the assumptions and methods utilized by the Owner Participant in the calculation of the alternate schedules of Basic Rent, Termination Value and Stipulated Loss Value referred to the definition of the Owner Participant's Revised Net Economic Return, together with such alternate schedules, and the Special Purchase Price Percentage applicable to a lease financing accomplished pursuant to such alternate schedules (calculated to preserve the Special Purchase Price Yield to the applicable Special Purchase Option Date in accordance with the methodology described in the second sentence to Section 20(c)), copies of which alternate schedules and such Special Purchase Price Percentage have been provided to the Lessee, and (iii) any adjustments made to any of the assumptions referred to in clause (i) or (ii) of this sentence to take into account the effect of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages of Basic Rent, Stipulated Loss Value, Termination Value or Special Purchase Price Percentage. In connection with the foregoing, the Owner Participant will provide Sidley & Austin with such supporting documents and materials, and access to such computer programs and/or software, as would be complete and sufficient, without more, to enable the verification, as contemplated by Section 18(b), of any calculations made by the Owner Participant under this Section 18 or Section 20.

SECTION 19. Concerning the Owner Trustee. Wilmington Trust Company is entering into this Agreement solely in its capacity as Owner Trustee under the Trust Agreement and not in its individual capacity (except as expressly stated herein) and in no case shall Wilmington Trust Company (or any entity acting as successor Owner Trustee under the Trust Agreement) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of the Owner Trustee hereunder, provided, however, that Wilmington Trust Company (or any such successor Owner

Trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of its covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

SECTION 20. Section 20 Refinancing. (a) In addition to the provisions set forth in Section 17, whether or not a refunding or refinancing pursuant to such Section 17 shall have previously occurred, and with regard to the role of Credit (as defined in the Tax Indemnity Agreement) in the transactions contemplated by the Operative Agreements, at any time the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Outstanding Certificates as part of a refunding or refinancing operation with refinancing indebtedness with respect to which the refinancing indebtedness has a final maturity date of at least six months after the final maturity date of the Outstanding Certificates and has a weighted average life to maturity at least 90 days longer than the remaining weighted average life to maturity of the Outstanding Certificates (such refinancing hereinafter referred to as the "Section 20 Refinancing"). Promptly on receipt of such request (which request shall specifically designate such refinancing as the Section 20 Refinancing), the Owner Participant will, in good faith, use all reasonable efforts to conclude an agreement with the Lessee as to the terms of such Section 20 Refinancing and upon such agreement:

(i) the Lessee, the Owner Participant, the Indenture Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 20, the "Section 20 Refunding Date") of United States Dollar-denominated debt

securities in an aggregate principal amount at least equal to the principal amount of the Outstanding Certificates on the Section 20 Refunding Date and, subject to clause (w) of Section 20(a)(ii), all interest accrued thereon to the Section 20 Refunding Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Certificates on the Section 20 Refunding Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Section 20 Refunding Date is not a Lease Period Date, the Lessee shall on the Section 20 Refunding Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Outstanding Certificates to the Section 20 Refunding Date in the event that such interest is not financed through the issuance of debt securities on the Section 20 Refunding Date, provided that if the Section 20 Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant may, pursuant to Section 16(a), prepay the Excess Payment Amount or such portion thereof on the Section 20 Refunding Date as the Lessee and the Owner Participant shall agree is advisable in order to optimize the revised rental schedules to be calculated pursuant to Section 20(c), (x) Basic Rent payable in respect of the period from and after the Section 20 Refunding Date shall be recalculated pursuant to Section 20(c) to preserve the Owner Participant's Revised Net Economic Return, (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Section 20 Refunding Date shall be appropriately recalculated pursuant to Section 20(c) to preserve the Owner Participant's Revised Net Economic Return and (z) the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated pursuant to Section 20(c);

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 20 in like manner as the Certificates issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that if within 15 days after receipt of a request from the Lessee to effect the Section 20 Refinancing, which request specifies the proposed structural terms of such refinancing and the amount of refinancing indebtedness, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the Section 20 Refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the Section 20 Refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect the Section 20 Refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, the Section 20 Refinancing will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes.

Each of the Owner Participant, the Owner Trustee, each Loan Participant and the Indenture Trustee agrees to use all reasonable efforts to facilitate the Section 20 Refinancing, including, without limitation, by making such modifications to, or entering into such amendments and supplements to, the Operative Documents as may be appropriate or necessary to effect the Section 20 Refinancing.

(b) The Section 20 Refinancing shall not constitute a refunding or refinancing for the purposes of Section 17. Any debt instruments issued in connection with the Section 20 Refinancing shall not be subject to optional redemption by the Owner Trustee without the consent of the Lessee (except as provided in Section 2.13 of the Trust Indenture).

(c) In connection with the Section 20 Refinancing, the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term and, if the Section 20 Refunding Date occurs on or prior to the Base Lease Commencement Date, the Excess Payment Amount payable pursuant to Section 16(a) hereof (such recalculation of the Excess Payment Amount to take into account any prepayment by the Owner Participant on such Section 20 Refunding Date of all or part of the Excess Payment Amount under clause (w) of Section 20(a)(ii)), (i) to achieve the Owner Participant's Revised Net Economic Return, and (ii) to minimize, to the greatest extent possible consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in such event, the Special Purchase Price Percentage shall be recalculated in order to preserve the Special Purchase Price Yield to the Special Purchase Option Date of July 9, 2012; provided that the Special Purchase Price Percentage for the Special Purchase Option Date, as so adjusted, shall not be less than 56.9%. Notwithstanding the foregoing, the Owner Participant, the Owner Trustee and the Lessee agree that, at the Lessee's option, the Lessee may request that the Special Purchase Option Date be changed (and that the Special Purchase Price Percentage be recalculated as of such changed date) to whichever of the four Lease Period Dates preceding the Special Purchase Option Date or the two Lease Period Dates following the Special Purchase Option Date (each, an "Alternate Special Purchase Option Date") would result in the lowest possible sum of (1) the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent for the period from the Section 20 Refunding Date to and including the applicable Alternate Special Purchase Option Date (but excluding any Basic Rent designated as payable in advance on such Alternate Special Purchase Option Date) and (2) the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the Special Pur-

chase Price as of such Alternate Special Purchase Option Date, and that, if necessary, the Lease shall be amended to reflect the change in the Special Purchase Option Date from July 9, 2012 to whichever of the Alternate Special Purchase Option Dates as would give rise to the lowest such sum; provided that upon any such request by the Lessee to change the Special Purchase Option Date to an Alternate Special Purchase Option Date, the Owner Participant shall, at its cost and expense, obtain an estimate of the fair market value (taking into account a reasonable estimate for inflation and deflation) of the Aircraft, as of any Alternate Special Purchase Option Dates specified by the Lessee, from BK Associates, Inc. or, if BK Associates, Inc. shall not then be an independent aircraft appraiser, from an independent aircraft appraiser selected by mutual agreement of the Owner Participant and the Lessee or, if they shall be unable to agree, from an appraiser selected pursuant to an Independent Appraisal (except that all costs and expenses of such appraiser shall be borne by the Owner Participant) and, if the estimated fair market value of the Aircraft determined by such appraiser (expressed as a percentage of Lessor's Cost) is more than the Special Purchase Price Percentage calculated for the Alternate Special Purchase Option Date as provided above in this sentence to which the Lessee has requested the Special Purchase Option Date be changed, the Special Purchase Option Date shall remain unchanged and the Special Purchase Price Percentage shall be the percentage determined in accordance with the preceding sentence, unless the Lessee elects that the Special Purchase Price Percentage as of such Alternate Special Purchase Option Date shall be equal to such estimated fair market value (computed as a percentage of Lessor's Cost), in which case the Lease shall be amended to reflect such Alternate Special Purchase Option Date. In performing any such recalculations in respect of Basic Rent, Stipulated Loss Value and Termination Value, the Owner Participant shall utilize the same methods and assumptions originally used to calculate the alternate schedules of Basic Rent, Stipulated Loss Values and Termination Values referred to in the definition of the Owner Participant's Revised Net Economic Return and in performing any such recalculations in respect of the Special Purchase Price Percentage, the Owner Participant shall, subject to the proviso to the preceding sentence, utilize the same methods and assumptions originally used to calculate the Special Purchase Price Percentage held in escrow by Sidley & Austin pursuant to Section 18(d) (other than, in each case, those

assumptions changed as a result of the Section 20 Refinancing; it being agreed that such recalculation shall reflect solely any changes of assumptions or facts resulting directly from such Section 20 Refinancing or due to the prior occurrence of any event taken into account in a recalculation pursuant to Section 18), provided that, Basic Rent, as so recomputed, shall comply with the requirements of Sections 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

Upon completion of any recalculation described above in this Section 20(c), a duly authorized officer of the Owner Participant shall provide a certificate to the Lessee either (x) stating that the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term, and the Special Purchase Price Percentage and the Special Purchase Option Date, as are then set forth in the Lease do not require change, or (y) setting forth such adjustments to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term and the Special Purchase Price Percentage and the Special Purchase Option Date, as have been calculated by the Owner Participant in accordance with the above provisions. Such certificate shall describe in reasonable detail the basis for any such adjustments. If the Lessee shall so request, the recalculation of any such adjustments described in this Section 20 shall be verified by procedures substantially identical to the verification procedures set forth in Section 18(b). No adjustment may be made to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term pursuant to this Section 20 except in accordance with the provisions of Section 18(c).

Section 21. Miscellaneous. (a) Nothing contained in this Agreement, or in the Lease, the Trust Indenture, the Trust Agreement or the Tax Indemnity Agreement shall be construed as a guarantee by the Lessee of payments due pursuant to the Certificates or of the residual value or useful life of the Aircraft or any portion thereof.

(b) Any provision of this Agreement which is prohibited and unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought. The section and paragraph headings in this Agreement and the index preceding this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Agreement.

(c) The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Lessee and, subject to the terms of Section 13(E) hereof, its successors and permitted assigns, the Indenture Trustee and its successors as Indenture Trustee under the Trust Indenture, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement, the Owner Participant and, subject to the provisions of Section 16(c) hereof, its successors and permitted assigns, and the Original Loan Participant and, subject to the provisions of Section 9(p) hereof, the other Loan Participants. Each Loan Participant other than the Original Loan Participant, by its acceptance of any Certificate, shall be deemed to have irrevocably and unconditionally agreed to perform the obligations of a Loan Participant hereunder and under the Trust Indenture.

(d) With respect to any opinion required to be delivered under any Operative Document by counsel to any party hereto, each party hereto hereby irrevocably instructs its applicable counsel to deliver such opinion to and for the benefit of the parties that are the addressees of such opinion.

THIS AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

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AF-2

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

AMERICAN AIRLINES, INC.

By Jeffery M. Jackson  
Vice President and Treasurer

Address: P.O. Box 619616  
Dallas/Fort Worth International  
Airport,  
Texas 75261-9616  
Attention: Senior Vice  
President-  
Finance

Telex: 73-0613  
Answerback: AMAIR-DFWDAL  
Facsimile: (817) 967-4318  
Telephone: (817) 963-1234

AT&T CREDIT CORPORATION

By Michael A DeBernardi  
Vice President

Address: 44 Whippany Road  
Morristown, New Jersey 07960

Facsimile: (201) 397-4368  
Telephone: (201) 397-3000

WILMINGTON TRUST COMPANY,  
not in its individual capacity, except  
as otherwise expressly provided herein,  
but solely as Owner Trustee

By Norma P. Closs  
Vice President

Address: Rodney Square North  
Wilmington, Delaware 19890  
Attention: Corporate Trust  
Administration  
(AA 1992 AF-2)

Telex: 835437  
Answerback: WILM TR  
Facsimile: (302) 651-8464  
Telephone: (302) 651-1000

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION, as Indenture  
Trustee

By F.S. Kimball  
Vice President

Address: 600 Peachtree Street, N.E.  
Suite 900  
Atlanta, Georgia 30308  
Attention: Corporate Trust  
Department  
(AA 1992 AF-2)

Facsimile: (404) 607-6534  
Telephone: (404) 607-4680

ABN AMRO BANK N.V.,  
HOUSTON AGENCY  
as Original Loan Participant

By Marvin D. Juliar  
Senior Vice President

By John E. Lewis  
Vice President

Address: Three Riverway  
Suite 1600  
Houston, Texas 77056

Attn: Manager

Facsimile: (713) 629-7533  
Telephone: (713) 629-6666

with copies of any notices to:

ABN AMRO North America, Inc.,  
Aerospace Group

Attn: Manager

Address: 135 LaSalle Street  
Suite 1125  
Chicago, Illinois 60603

Facsimile: (312) 606-8428  
Telephone: (312) 443-2900

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PARTICIPATION AGREEMENT  
(AA 1992 AF-3)

Dated as of August 1, 1992

between

AMERICAN AIRLINES, INC.,  
as Lessee

WILMINGTON TRUST COMPANY,  
as Owner Trustee

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION,  
as Indenture Trustee

AT&T CREDIT CORPORATION,  
as Owner Participant

and

CIBC INC.,  
as Original Loan Participant

-----  
One Boeing 767-323ER Aircraft  
N376AN

Leased to American Airlines, Inc.

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PARTICIPATION AGREEMENT  
(AA 1992 AF-3)

This PARTICIPATION AGREEMENT (AA 1992 AF-3), dated as of August 1, 1992, between (i) AMERICAN AIRLINES, INC., a Delaware corporation (herein, together with its successors and permitted assigns, called "American" or the "Lessee"), (ii) AT&T CREDIT CORPORATION, a Delaware corporation (herein, together with its successors and permitted assigns, called the "Owner Participant"), (iii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as expressly stated herein but solely as trustee under the Trust Agreement (as hereinafter defined) (herein in such capacity, together with its successors and assigns, called the "Owner Trustee"), (iv) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, a national banking association, in its individual capacity only as expressly stated herein, and otherwise as trustee under the Trust Indenture (as hereinafter defined) (herein in such capacities, together with its successors and assigns in such capacities, called the "Indenture Trustee"), and (v) CIBC INC., a Delaware corporation (herein called the "Original Loan Participant" and together with the Owner Participant, sometimes collectively called the "Participants" and individually a "Participant").

W I T N E S S E T H:

WHEREAS, pursuant to the Purchase Agreement (such term and other capitalized terms used herein without definition have the meanings specified therefor in Section 15), The Boeing Company, a Delaware corporation (the "Manufacturer"), has agreed to manufacture and sell to American and American has agreed to purchase from the Manufacturer that certain Boeing 767-323ER aircraft bearing U.S. Registration Number N376AN and Manufacturer's Serial Number 25445, which is to be financed pursuant to this Participation Agreement (the "Aircraft", as such term is defined in the Lease referred to below and is used hereinafter with the same meaning);

WHEREAS, the Manufacturer has conveyed, pursuant to a warranty (as to title) bill of sale with respect to the Aircraft, to Boeing Sales Corporation, a Guam corporation and a wholly-owned subsidiary of the Manufacturer

(the "Manufacturer's Subsidiary"), all the Manufacturer's title to and interest in the Aircraft and has assigned to the Manufacturer's Subsidiary its right to receive any payments due with respect to the Aircraft under the Purchase Agreement, and the Manufacturer's Subsidiary will agree to sell and deliver the Aircraft to American pursuant and subject to all terms and conditions of the Purchase Agreement, and will appoint the Manufacturer as its duly authorized agent and attorney-in-fact for all purposes under the Purchase Agreement;

WHEREAS, immediately following the transfer by the Manufacturer's Subsidiary of title to the Aircraft to American, and subject to the terms and conditions set forth herein, (A) American is willing to sell the Aircraft to the Owner Trustee and the Owner Trustee is willing to purchase the Aircraft from American as soon as practicable after American has fully arranged satisfactory financing for such transactions; and (B) the Owner Trustee is willing to lease to American as the Lessee under the Lease referred to below, and American as the Lessee is willing to lease from the Owner Trustee, the Aircraft;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant has entered into a certain Trust Agreement (AA 1992 AF-3), dated as of the date hereof, substantially in the form of Exhibit I hereto (such Trust Agreement, as the same may be amended or supplemented from time to time, being herein called the "Trust Agreement", such term to include, unless the context otherwise requires, one or more of the Trust Agreement and Indenture Supplements referred to below), with Wilmington Trust Company in its individual capacity, pursuant to which Trust Agreement the Owner Trustee agrees, among other things, to hold the Trust Estate defined in Section 1.01 of the Trust Agreement (the "Trust Estate") for the benefit of the Owner Participant thereunder on the terms specified in the Trust Agreement, subject, however, to the lien created under the Trust Indenture referred to below;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee has entered into a certain Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of the date hereof, substantially in the form of Exhibit II hereto (such Trust Indenture and Security Agreement, as the same may be amended or supplemented from time to time, being herein called the

"Trust Indenture" or the "Indenture", such term to include, unless the context otherwise requires, one or more of the Trust Agreement and Indenture Supplements referred to below), with the Indenture Trustee, pursuant to which Trust Indenture the Owner Trustee agrees, among other things, for the benefit of the Loan Participants, (i) to deposit, mortgage and pledge with the Indenture Trustee, as part of the Indenture Estate (the "Indenture Estate", as such term is defined in the Trust Indenture and is hereinafter used with the same meaning) under the Trust Indenture, all of the properties held in trust by the Owner Trustee under the Trust Agreement (other than Excepted Property as defined in the Trust Indenture), (ii) to issue Certificates substantially in the form set forth in Section 2.01 of the Trust Indenture, in the amounts and otherwise as provided in Section 2.02 of the Trust Indenture (a "Certificate", as such term is defined in the Trust Indenture and is hereinafter used with the same meaning, and collectively the "Certificates") as evidence of the participation of the Original Loan Participant and the investment of the Holders (as such term is defined in the Trust Indenture and is hereinafter used with the same meaning) thereof in the payment of Lessor's Cost for the Aircraft, and (iii) to execute and deliver a Trust Agreement and Indenture Supplement, substantially in the form of Exhibit A to the Trust Indenture (a "Trust Agreement and Indenture Supplement" as such term is defined in the Trust Indenture and is hereinafter used with the same meaning), covering the Aircraft, supplementing the Trust Agreement and the Trust Indenture;

WHEREAS, pursuant to the terms of the Trust Agreement, the Owner Trustee is authorized and directed by the Owner Participant (i) to execute and deliver a certain Purchase Agreement Assignment (AA 1992 AF-3), dated as of the date hereof, substantially in the form of Exhibit III hereto (the "Purchase Agreement Assignment"), with the Lessee, whereby the Lessee assigns to the Owner Trustee certain of the Lessee's rights and interest under the Purchase Agreement to the extent that the same relate to the Aircraft (except to the extent reserved to the Lessee in said Purchase Agreement Assignment) and which Purchase Agreement Assignment has annexed thereto a Consent and Agreement executed by the Manufacturer and an Agreement of Subsidiary executed by the Manufacturer's Subsidiary; and (ii) to execute and deliver a certain Lease Agreement (AA 1992 AF-3) relating to the Aircraft, dated as of the date hereof, with American, substantially in the form of Exhib-

it IV hereto (such Lease Agreement, as the same may be amended or supplemented from time to time, being herein called the "Lease", such term to include the Rent Schedule (except in the case of any reference to the Lease Agreement as filed with the Federal Aviation Administration) and, unless the context otherwise requires, the Lease Supplement referred to below), pursuant to which, subject to the terms and conditions set forth therein, the Owner Trustee agrees to lease to the Lessee, and the Lessee agrees to lease from the Owner Trustee, the Aircraft on the Delivery Date, such lease to be evidenced by the execution and delivery of a Lease Supplement, substantially in the form of Exhibit A to the Lease (the "Lease Supplement" as such term is defined in the Lease and is hereinafter used with the same meaning), covering the Aircraft; and

WHEREAS, concurrently with the execution and delivery of this Agreement, the Lessee and the Owner Participant have entered into a Tax Indemnity Agreement, dated as of the date hereof, relating to the Aircraft (such Tax Indemnity Agreement, as the same may be amended or supplemented from time to time, being herein called the "Tax Indemnity Agreement");

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

SECTION 1. Sale and Purchase; Participation in Lessor's Cost for Aircraft; Terms of Certificates. (a) Sale and Purchase. Subject to the terms and conditions of this Agreement, the Lessee agrees to sell to the Owner Trustee, and the Owner Trustee agrees to purchase from the Lessee, the Aircraft on the Delivery Date, and, in connection therewith, the Owner Trustee agrees to pay to the Lessee the purchase price of \$69,000,000 ("Lessor's Cost").

(b) Participation in Lessor's Cost. Subject to the terms and conditions of this Agreement, (i) the Owner Participant hereby agrees to participate in the payment of Lessor's Cost for the Aircraft by making an investment in the beneficial ownership of the Aircraft in the amount set forth opposite its name in Schedule I hereto, and (ii) the Original Loan Participant hereby agrees to participate in the payment of Lessor's Cost for the Aircraft

by making a non-recourse secured loan to the Owner Trustee in the amount set forth opposite its name in Schedule I hereto, such loan to be evidenced by one or more Certificates issued to the Original Loan Participant by the Owner Trustee in the manner described herein and in the Indenture. The amount of the Owner Participant's participation required to be made as above provided in the payment of Lessor's Cost is hereinafter called the Owner Participant's "Commitment" for the Aircraft and the amount of the Original Loan Participant's participation required to be made as above provided in the payment of Lessor's Cost is hereinafter called the Original Loan Participant's "Commitment" for the Aircraft.

(c) Prepayment of Certificates; Determination of Debt Rate.

Each of the Loan Participants and the Owner Participant hereby agrees that, notwithstanding anything to the contrary contained in this Participation Agreement, the Lease, the Trust Indenture, the Certificates, or the Trust Agreement, without the prior written consent of the Lessee, the Owner Trustee shall not take any action with respect to the Certificates concerning the optional prepayment of such Certificates (except as provided in Section 2.13 of the Trust Indenture), or the selection of the Debt Rate to be borne at any time or from time to time by such Certificates, or the Interest Periods to be applicable to the calculation of interest on the Certificates. The Owner Trustee hereby irrevocably appoints and authorizes the Lessee to act as its exclusive agent (and agrees that it will not act other than through the Lessee, as such agent) for the purpose of selecting the durations of the Interest Periods to be applicable from time to time to calculations of interest on the Certificates and designating the Debt Rate from time to time to be borne on the Certificates. Each of the Indenture Trustee, the Owner Participant and each Loan Participant hereby consents to such appointment and authorization. In taking any actions as agent of the Owner Trustee as aforesaid, the Lessee shall be authorized to deal directly with the Indenture Trustee and the Loan Participants, and the Owner Participant, the Owner Trustee, each Loan Participant and the Indenture Trustee each agrees to cooperate with the Lessee and the Original Loan Participant and otherwise to do all things and take all actions reasonably necessary to effect the actions taken by the Lessee as the agent of the Owner Trustee under this Section 1(c). Except to the extent otherwise provided in Section 2.01 of the Trust Indenture, the Debt Rate applicable to the Loan Certificates for each

Interest Period shall be determined by election of the Lessee (as agent for the Owner Trustee) by delivering telephonic notice to the Original Loan Participant (whether or not it at the time holds any Loan Certificates), followed in each case by telexed, telecopied or other written confirmation given as to be effective by 1:00 p.m. (New York City time) on the date of such telephonic notice (with a copy to the Indenture Trustee and the Owner Trustee), not less than three London Business Days prior to the beginning of the applicable Interest Period, in the case of a LIBOR Loan, and not later than 11:00 A.M. (New York City time) on the New York Business Day immediately preceding the beginning of the applicable Interest Period, in the case of a Short Period Rate Loan, specifying the duration of such Interest Period and whether the Debt Rate for such Interest Period shall be determined by reference to the LIBOR Rate or the Short Period Rate. The Indenture Trustee shall provide to each Loan Participant other than the Original Loan Participant a copy of any notice provided by the Lessee pursuant to the immediately preceding sentence promptly after receipt thereof. Notwithstanding the foregoing, the Lessee may only select a Short Period Rate (i) during any period, and from time to time during such period, in which the Lessee is in contemplation of a proposed prepayment of the Loan Certificates pursuant to Section 2.12 or 2.14 of the Trust Indenture (whether or not a notice of prepayment has been given pursuant to Section 2.12 or 2.14 of the Trust Indenture) or (ii) at any time when the selection of a LIBOR Rate would result in the succeeding Interest Period commencing on a day other than the eleventh day of a calendar month. The Original Loan Participant (whether or not it at the time holds any Loan Certificates) shall provide to each of the Owner Participant, the Owner Trustee, each other Loan Participant, the Indenture Trustee and the Lessee an officer's certificate setting forth the applicable interest rate and the interest expected to accrue on the Loan Certificates during the applicable Interest Period promptly after the commencement of such Interest Period and, as soon as practicable prior to each Lease Period Date (but in no event later than 11:00 A.M. New York City time on the Business Day immediately preceding such Lease Period Date), shall provide such notification of the aggregate amount of interest that will be actually due and payable on the Loan Certificates on such Lease Period Date.

SECTION 2. Delivery Date; Procedure for Participation in Payment of Lessor's Cost for the Aircraft. (a) Delivery Date. The Lessee agrees to give the Owner Participant, the Original Loan Participant, the Indenture Trustee and the Owner Trustee notice by telex, telegraph, facsimile or other form of telecommunication or telephone (to be promptly confirmed in writing) of the Delivery Date for the Aircraft not later than 5:00 P.M., New York City time, on the second Business Day preceding the Delivery Date for the Aircraft, which notice shall specify the amount of Lessor's Cost for the Aircraft. Subject to the terms and conditions of this Agreement, prior to 11:00 A.M., New York City time, on the Delivery Date specified in such notice, the Owner Participant will make the amount of its Commitment available to the Owner Trustee, and the Original Loan Participant will make the amount of its Commitment available to the Owner Trustee, by transferring or delivering such amount, in funds immediately available on the Delivery Date, to the Owner Trustee, either directly to, or for deposit in, the Owner Trustee's account at The Chase Manhattan Bank, N.A., Account No. 920-1-014363.

(b) Procedure for Participation in Payment of Lessor's Cost for the Aircraft. Upon receipt by the Owner Trustee of the full amount of the Owner Participant's Commitment and the Original Loan Participant's Commitment in respect of the Aircraft on the Delivery Date, the Owner Trustee shall, subject to the conditions set forth in Section 4 having been fulfilled to the satisfaction of (or waived by) the Owner Participant and the Original Loan Participant (as the case may be), pay to the Lessee from the funds then held by it, in immediately available funds, an amount equal to the Lessor's Cost payable to the Lessee on the Delivery Date by the Owner Trustee pursuant hereto, and simultaneously therewith the Lessee shall deliver the Aircraft to the Owner Trustee, and the Owner Trustee shall accept the Aircraft, under the Lease. The acceptance of the Aircraft by the Owner Trustee and the Lessee, respectively, shall be conclusively evidenced by the execution and delivery of the Lease Supplement by the Owner Trustee and the Lessee. Each of the Indenture Trustee, the Owner Trustee and the Lessee shall take all actions required to be taken by it in connection therewith and pursuant to this Section 2(b).

SECTION 3. Owner Participant's Instructions to the Owner Trustee; Confirmation of Authorizations. (a) Owner Participant's Instructions to the Owner Trustee. The Owner Participant agrees that the making of the amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof shall constitute, without further act, authorization and direction by the Owner Participant to the Owner Trustee, subject to the conditions set forth in Section 4 having been fulfilled to the satisfaction of the Owner Participant or waived by the Owner Participant, to take the actions specified in Section 3.01 of the Trust Agreement with respect to the Aircraft.

(b) Confirmation of Authorizations. The Owner Participant agrees, in the case of any Replacement Aircraft or Replacement Engine substituted pursuant to clause (i) of Section 10(a) of the Lease or pursuant to Section 9(g) or 10(b) of the Lease, that it will authorize and direct the Owner Trustee to take the actions specified in such Sections of the Lease with respect to such Replacement Aircraft or Replacement Engine upon due compliance with the terms and conditions set forth in such Sections of the Lease with respect to such Replacement Aircraft or Replacement Engine.

SECTION 4. Conditions Precedent to Participation. The obligation of each of the Original Loan Participant and the Owner Participant to participate in the payment of Lessor's Cost for the Aircraft is subject to the fulfillment to the satisfaction of or waiver by the Original Loan Participant or the Owner Participant, as the case may be, prior to or on the Delivery Date, of the following conditions precedent (except that paragraphs (T), (U) and (X) of this Section 4 shall not be conditions precedent to the obligations of the Original Loan Participant hereunder and paragraphs (M), (Q) and (V) of this Section 4 shall not be conditions precedent to the obligations of the Owner Participant hereunder):

(A) Each of the Owner Participant and the Original Loan Participant shall have received (or waived) due notice with respect to its participation pursuant to Section 2.

(B) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations or guidelines

thereof by appropriate regulatory authorities or any court which in the opinion of the Owner Participant or the Original Loan Participant would make it illegal for the Owner Participant or the Original Loan Participant, as the case may be, to make such participation or would be a violation of such law, regulations or guidelines.

(C) In the case of the Original Loan Participant, the Owner Participant shall have concurrently made available to the Owner Trustee the aggregate amount of its Commitment for the Aircraft in accordance with Section 2 hereof; in the case of the Owner Participant, the Original Loan Participant shall have concurrently made available to the Owner Trustee the aggregate amount of its Commitment for the Aircraft in accordance with Section 2 hereof; and in the case of the Original Loan Participant, there shall have been duly issued and delivered by the Owner Trustee to the Original Loan Participant, against payment therefor, one or more Certificates in connection with the Aircraft, substantially in the form set forth in Section 2.01 of the Trust Indenture, dated the Delivery Date and issued in the name of the Original Loan Participant.

(D) All approvals and consents of any trustee or holder of any indebtedness or obligations of the Lessee which are required in connection with any transaction contemplated by this Agreement shall have been duly obtained.

(E) This Agreement and the following documents shall have been duly authorized, executed and delivered by the respective party or parties thereto (except that the execution and delivery of this Agreement or any of the following documents by a party hereto or thereto shall not be a condition precedent to such party's obligations hereunder), shall be in form and substance satisfactory to the Owner Participant, in full force and effect and executed counterparts thereof (or copies where indicated) shall have been delivered to the Owner Participant and the Original Loan Participant or their respective special counsel:

- (i) the Lease;

(ii) a Lease Supplement covering the Aircraft dated the Delivery Date;

(iii) the Trust Agreement;

(iv) the Trust Indenture, and a Trust Agreement and Indenture Supplement covering the Aircraft dated the Delivery Date;

(v) a copy of the Purchase Agreement (with the exception that certain confidential or proprietary information may be redacted therefrom and certain exhibits and supplements thereto need not be delivered to the Owner Participant or the Original Loan Participant);

(vi) the Purchase Agreement Assignment, with the Consent and Agreement and the Agreement of Subsidiary attached thereto;

(vii) the Tax Indemnity Agreement (for the Owner Participant only);

(viii) a copy of the bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Manufacturer in favor of the Manufacturer's Subsidiary and dated on or prior to the Delivery Date (the "Manufacturer's FAA Bill of Sale"), a copy of the bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for recordation with it on the Delivery Date, executed by the Manufacturer's Subsidiary in favor of the Lessee and dated the Delivery Date (the "Manufacturer's Subsidiary's FAA Bill of Sale"), and a copy of the form of warranty (as to title) bill of sale for the Aircraft to be executed by the Manufacturer's Subsidiary in favor of the Lessee, dated the Delivery Date and specifically referring to each Engine, as well as to the Airframe, constituting a part of the Aircraft;

(ix) a bill of sale for the Aircraft on AC Form 8050-2 or such other form as may be acceptable to the Federal Aviation Administration for

recordation with it on the Delivery Date, executed by the Lessee in favor of the Owner Trustee and dated the Delivery Date (the "FAA Bill of Sale") (original filed with the Federal Aviation Administration and copies to all the parties);

(x) a warranty (as to title) bill of sale for the Aircraft (together with the FAA Bill of Sale collectively called "Bills of Sale"), executed by the Lessee in favor of the Owner Trustee, dated the Delivery Date and specifically referring to each Engine, as well as to the Airframe, constituting a part of the Aircraft (original to the Indenture Trustee and copies to all the parties);

(xi) an incumbency certificate of the Lessee as to the person or persons authorized to execute and deliver the Operative Documents to which it is a party and any other documents to be executed on behalf of the Lessee in connection with the transactions contemplated hereby and the signatures of such person or persons; and

(xii) an insurance report of an independent insurance broker and the certificates of insurance, each in form and substance satisfactory to each Participant, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(F) A Uniform Commercial Code financing statement or statements covering the security interest created by the Trust Indenture shall have been executed and delivered by the Owner Trustee, as debtor, and by the Indenture Trustee, as secured party, and such financing statement or statements shall have been duly filed in all places necessary or desirable within the State of Delaware, and a Uniform Commercial Code financing statement or statements describing the Lease as a lease shall have been executed and delivered by the Owner Trustee and the Lessee, and such financing statements shall have been duly filed in all places necessary or desirable within the State of Texas;

(G) Each of the Owner Participant and the Original Loan Participant (acting directly or by authorization to their respective special counsel) shall have received the following, in each case in form and substance satisfactory to it:

(i) a copy of the resolutions of the Board of Directors of the Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the purchase of the Airframe and the Engines by the Lessee, the sale of the Aircraft by the Lessee pursuant to the Bills of Sale, the lease by the Lessee of the Aircraft under the Lease and the execution, delivery and performance by the Lessee of each of the Operative Documents to which it is or will be a party and each of the other documents required to be executed and delivered by the Lessee in accordance with the provisions hereof;

(ii) a copy of the resolutions of the Board of Directors of the Owner Trustee in its individual capacity certified by the Secretary or an Assistant Secretary of the Owner Trustee, duly authorizing the execution, delivery and performance by the Owner Trustee, in its individual capacity, of the Trust Agreement, and acting pursuant thereto, as trustee, or in its individual capacity as expressly provided therein, as appropriate, of each of the other Operative Documents to which the Owner Trustee is or will be a party in either such capacity and any other documents to be executed by or on behalf of the Owner Trustee, in its individual capacity or as trustee, as appropriate, in connection with the transactions contemplated hereby;

(iii) a copy of the articles of association and by-laws of the Indenture Trustee, certified by the Secretary or an Assistant Secretary of the Indenture Trustee, which by-laws contain a provision duly authorizing the execution, delivery and performance by the Indenture Trustee of each of the Operative Documents to which the Indenture Trustee is or will be a party and any other documents to be executed by or on behalf

of the Indenture Trustee in connection with the transactions contemplated hereby; and

(iv) such other documents and evidence with respect to the Lessee, the Owner Trustee, the Owner Participant, or the Indenture Trustee as the Owner Participant or the Original Loan Participant, as appropriate, may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate and other proceedings in connection therewith and compliance with the conditions herein or therein set forth.

(H) On the Delivery Date, the following statements shall be correct, and each of the Owner Participant and the Original Loan Participant shall have received evidence satisfactory to it to the effect that:

(i) the Owner Trustee has good title (subject to filing and recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens (and of any rights of creditors to set aside the sale of the Aircraft by the Lessee) other than the rights and interests of the Owner Trustee and the Lessee under the Lease and the Lease Supplement covering the Aircraft, the Lien of, and the security interest created by, the Trust Indenture, the rights of the Indenture Trustee under the Trust Indenture, and the beneficial interest of the Owner Participant created by the Trust Agreement and the Trust Agreement and Indenture Supplement covering the Aircraft and other Liens permitted under the Lease;

(ii) the Aircraft has been duly certified by the Federal Aviation Administration as to type and airworthiness in accordance with the terms of the Lease and has a current valid United States standard certificate of airworthiness issued by the Federal Aviation Administration;

(iii) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall have been duly filed for recordation with the Federal Aviation Administration pursuant to the Federal Aviation Act;

(iv) application for registration of the Aircraft in the name of the Owner Trustee shall have been duly made with the Federal Aviation Administration;

(v) the Lessee has the regulatory authority required in order to operate the Aircraft on the Lessee's routes; and

(vi) to the best knowledge of the Lessee, there exist no Permitted Liens of the type described in clause (iv), (v) or (vi) of Section 6 of the Lease.

(I) On the Delivery Date for the Aircraft, the following statements shall be correct: (i) in the case of each of the Owner Trustee, the Owner Participant, the Original Loan Participant and the Indenture Trustee, the representations and warranties of the parties hereto other than itself are correct as though made on and as of such date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date), (ii) no material adverse change shall have occurred in the financial condition of the Lessee and its consolidated subsidiaries from that shown in the audited consolidated balance sheet of the Lessee and its consolidated subsidiaries as of December 31, 1991, (iii) no event has occurred and is continuing, or would result from the purchase, sale or lease of the Aircraft or the performance by the Lessee of its obligations under the Operative Documents, which constitutes an Event of Default or an Event of Loss or would constitute an Event of Default or an Event of Loss but for the requirement that notice be given or time elapse or both and (iv) no law, regulation or regulatory order (other

than any Change in Tax Law) applicable to the Owner Participant or the Original Loan Participant or to the participation by either of them in the transactions contemplated hereby, shall have been enacted, issued or proposed prior to the Delivery Date that would have a material adverse effect on the ability of the Owner Participant or the Original Loan Participant to participate in the transactions contemplated hereunder.

(J) Each of the Owner Participant and the Original Loan Participant shall have received opinions addressed to it from Debevoise & Plimpton, special counsel for the Lessee, and from Anne H. McNamara, Esq., Senior Vice President-Administration and General Counsel of the Lessee, substantially in the respective forms set forth in Exhibit V and Exhibit VI hereto.

(K) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Potter Anderson & Corroon, special counsel for the Owner Trustee, substantially in the form set forth in Exhibit VII hereto.

(L) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Powell, Goldstein, Frazer & Murphy, special counsel for the Indenture Trustee, substantially in the form set forth in Exhibit VIII hereto.

(M) The Original Loan Participant shall have received (x) an opinion addressed to it from each of Sidley & Austin, special counsel for the Owner Participant, and G. Daniel McCarthy, General Counsel of the Owner Participant, substantially in the forms set forth in Exhibit IX hereto and (y) an opinion, in form and substance satisfactory to the Original Loan Participant, from White & Case, special counsel for the Original Loan Participant.

(N) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, substantially in the form set forth in Exhibit X hereto.

(O) Each of the Owner Participant and the Original Loan Participant shall have received an opinion addressed to it from counsel to the Manufacturer, substantially in the form set forth in Exhibit XI hereto.

(P) Each of the Owner Participant and the Original Loan Participant shall have received a certificate signed by the chief financial or accounting officer, any Senior Vice President, the Treasurer, any Vice President, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Lessee, dated the Delivery Date, certifying as to the correctness of each of the matters stated in paragraph (I) (except insofar as the same relate to the Owner Trustee, the Indenture Trustee, the Original Loan Participant or the Owner Participant) of this Section 4.

(Q) Each of the Lessee and the Original Loan Participant shall have received a certificate from the Owner Participant, dated the Delivery Date, signed by the President, any Senior Vice President or any Vice President of the Owner Participant, certifying that no Lessor's Liens attributable to the Owner Participant exist, and further certifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Owner Participant) of this Section 4.

(R) Each of the Owner Participant, the Lessee and the Original Loan Participant shall have received a certificate from the Owner Trustee, dated the Delivery Date, signed by an authorized officer of the Owner Trustee, certifying that no Lessor's Liens attributable to the Owner Trustee exist, that Wilmington Trust Company has duly delivered to the Office of the Superintendent of the Banking Department of the State of New York an application for qualification under Section 131(3) of the New York Banking Law with respect to its functioning as Owner Trustee under the Trust Agreement, and further certifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Owner Trustee in its individual capacity or as Owner Trustee) of this Section 4.

(S) The Owner Participant, the Owner Trustee, the Lessee and the Original Loan Participant shall have received a certificate from the Indenture Trustee, dated the Delivery Date, signed by an authorized officer of the Indenture Trustee, certifying that no Trustee's Liens exist, and further certifying as to the correctness of each of the matters stated in clause (i) of paragraph (I) (insofar as the same relate to the Indenture Trustee) of this Section 4.

(T) The Owner Participant shall have received from Sidley & Austin, special counsel to the Owner Participant, a favorable opinion, in form and substance satisfactory to the Owner Participant, with respect to certain Federal income tax aspects of the transactions contemplated by the Operative Documents.

(U) The Owner Participant shall have received an opinion, in form and substance reasonably satisfactory to the Owner Participant, from BK Associates, Inc., independent aircraft appraisers, or such other recognized aircraft appraiser selected by the Owner Participant, to the effect that (A) the Aircraft will have, at the end of the Term and the first Renewal Term, (i) at least 20% of its economic life remaining and (ii) a fair market value of at least 20% of Lessor's Cost (without taking into account any increase or decrease for inflation or deflation during the Term and the first Renewal Term); (B) the fair market value of the Aircraft on the Delivery Date is equal to Lessor's Cost; and (C) the Special Purchase Price, prior to any adjustment thereto, equals or exceeds a reasonable current estimate of the fair market value (taking into account a reasonable estimate for inflation and deflation) of the Aircraft as of August 11, 2012.

(V) The Original Loan Participant shall have received a copy of that portion of the opinion described in clause (U) above relating to the matters covered by subclause (B) of such clause (U) (provided that the Original Loan Participant shall have executed a written confidentiality agreement and waiver of any claim it may have against the Owner Participant arising therefrom, in each case satisfactory to the Owner Participant) and such opinion shall

be in form and substance reasonably satisfactory to it.

(W) All appropriate action required to have been taken on or prior to the Delivery Date in connection with the transactions contemplated by this Participation Agreement shall have been taken by the Federal Aviation Administration, or any governmental or political agency, subdivision or instrumentality of the United States, and all orders, permits, waivers, authorizations, exemptions and approvals of such entities required to be in effect on the Delivery Date in connection with the transactions contemplated by this Participation Agreement shall have been issued, and all such orders, permits, waivers, authorizations, exemptions and approvals shall be in full force and effect on the Delivery Date.

(X) In the opinion of the Owner Participant and its special counsel, there shall have been since January 1, 1992, no amendment, modification, addition, or change in or to the provisions of the Code (including for this purpose, any non-Code provisions of legislation affecting the Code such as transition rules or effective date provisions) and the regulations promulgated under the Code (including temporary regulations), Internal Revenue Service Revenue Procedures or Revenue Rulings, or other administrative interpretations, applicable judicial precedents or Executive Orders of the President of the United States, as in effect on the date hereof, the effect of which might preclude the Owner Participant from obtaining any of the income tax benefits and consequences assumed to be available to the Owner Participant as set forth in Section 1 of the Tax Indemnity Agreement.

(Y) No action or proceeding shall have been instituted nor shall governmental action be threatened before any court or governmental agency, nor shall any order, judgment or decree have been issued or proposed to be issued by any court or governmental agency at the time of the Delivery Date to set aside, restrain, enjoin or prevent the completion and consummation of this Participation Agreement or the transactions contemplated hereby.

Promptly upon the registration of the Aircraft and the recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease (with the Lease Supplement covering the Aircraft, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached) and the Trust Indenture (with the Trust Agreement and such Trust Agreement and Indenture Supplement attached) pursuant to the Federal Aviation Act, the Lessee will cause Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, to deliver to each Participant, the Owner Trustee, the Indenture Trustee and the Lessee an opinion as to the due registration of the Aircraft, and the due recording of such instruments and the lack of filing of any intervening documents with respect to the Aircraft.

SECTION 5. Postponement of Delivery Date. (a) In the event that (i) the Original Loan Participant shall for any reason fail or refuse to make the full amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof, or (ii) the Owner Participant shall for any reason fail or refuse to make the full amount of its Commitment for the Aircraft available to the Owner Trustee in accordance with the terms of Section 2 hereof, the Owner Trustee will forthwith give each party hereto telex, facsimile or telegraphic notice of such default and the Delivery Date for the Aircraft will be postponed up to the fifth succeeding Business Day as the Lessee may direct (and the term "Delivery Date" as used in this Agreement shall thereafter mean such postponed "Delivery Date"); provided that such postponed Delivery Date shall not be a date later than August 31, 1992. During such period, the Lessee shall have the right to find another leasing or financial institution to be substituted for the non-participating Original Loan Participant or Owner Participant, as the case may be; provided that in either event the institution so substituted shall sign and deliver an agreement, in form and substance satisfactory to the Lessee, by which it will assume the balance of the Commitment of the non-participating Original Loan Participant or Owner Participant, as the case may be. Upon the execution and delivery of such agreement, the institution so substituted shall become the Original Loan Participant or the Owner Participant, as the case may be, and shall be deemed substituted for the non-participating Participant, for all purposes of this Agreement, the Trust Agreement, the Trust

Indenture, and the Lease and to have assumed all obligations of the non-participating Participant thereunder which accrue after the date of execution and delivery. No action by the Lessee under this Section 5(a) shall be deemed to constitute a waiver or release of any right which the Lessee may have against the defaulting Participant. In the event that the Lessee cannot find another institution to be substituted for the non-participating Participant within such five Business Day period, then, in such event (i) the Owner Trustee shall not accept delivery of the Aircraft and (ii) this Agreement, the Trust Agreement, the Trust Indenture, the Lease and the Purchase Agreement Assignment and the other Operative Documents shall terminate and be of no further force or effect except as expressly provided herein or therein.

(b) A scheduled Delivery Date for the Aircraft may be postponed from time to time for any reason (but no later than August 31, 1992), other than pursuant to Section 5(a) hereof, if the Lessee gives the Owner Participant, the Original Loan Participant, the Indenture Trustee and the Owner Trustee telex, telegraphic, facsimile or telephonic (confirmed in writing) notice of such postponement and notice of the date to which such Delivery Date has been postponed, such notice of postponement to be received by each party no later than 2:00 P.M., New York City time, on the originally scheduled Delivery Date (and the term "Delivery Date" as used in this Agreement shall thereafter mean such postponed "Delivery Date").

(c) In the event of any postponement of the Delivery Date pursuant to Section 5(a) or 5(b) hereof, or if on an originally scheduled Delivery Date not postponed as above provided the Aircraft is not delivered to the Lessor by 3:00 P.M. or, if delivered, is not accepted by the Owner Trustee for any reason, the Owner Trustee will return by 4:00 P.M. on such date, any funds which it shall have received from any Participant as its Commitment for the Aircraft, absent joint instruction from the Lessee and such Participant to retain funds until the specified date of postponement established under Section 5(a) or 5(b).

(d) Notwithstanding the provisions of this Section 5, no Participant shall be under any obligation to make its Commitment available beyond 3:00 P.M., New York City time, on August 31, 1992.

SECTION 6. Extent of Interest of Loan Participants. A Loan Participant shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal of and interest on all Certificates held by such Loan Participant and all other sums payable to such Loan Participant hereunder, under the Trust Indenture and under such Certificates shall have been paid in full. By acceptance of a Certificate, each Loan Participant agrees that it will look solely to the income and proceeds from the Indenture Estate to the extent available for distribution to such Loan Participant as provided in Section 2.05 of the Trust Indenture and that neither the Owner Participant nor the Owner Trustee shall be personally liable to such Loan Participant for any amounts payable under the Certificates, the Trust Indenture or hereunder, except as expressly provided in the Operative Documents.

SECTION 7. Lessee's Representations, Warranties and Indemnities. (a) In General. The Lessee represents and warrants that:

(i) the Lessee is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware, is an "air carrier" within the meaning of the Federal Aviation Act, operating under certificates issued under Section 401 of such Act, is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, and has the corporate power and authority to own or hold under lease its properties and to enter into and perform its obligations under the Operative Documents to which it is a party, and is duly qualified to do business as a foreign corporation in good standing in each state in which it has intrastate routes or has a principal office or a major overhaul facility, and its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code as in effect in the State of Texas) is located in Fort Worth, Texas;

(ii) the execution, delivery and performance of the Operative Documents to which the Lessee is a party have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, or approval or consent of any trustee or holder of any indebtedness or obligations of the Lessee, and do not contravene

any law, governmental rule, regulation or order binding on the Lessee or the Certificate of Incorporation or By-Laws of the Lessee or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than as permitted under the Lease) upon the property of the Lessee or on the Aircraft under, any indenture, mortgage, contract or other agreement to which the Lessee is a party or by which it or any of its properties may be bound or affected;

(iii) neither the execution and delivery by the Lessee of the Operative Documents to which it is a party, nor the consummation of any of the transactions by the Lessee contemplated hereby or thereby, requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, or any other Federal, state, local or foreign governmental authority or agency, other than the registration and filings referred to in Section 7(a)(viii);

(iv) this Agreement has been duly executed and delivered and constitutes, and each other Operative Document to which the Lessee is a party has been duly executed and delivered and constitutes, a legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and except, in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not make the remedies provided in the Lease inadequate for the practical realization of the rights and benefits provided thereby;

(v) there are no pending or threatened actions or proceedings before any court, governmental authority or administrative agency or arbitrator which would materially adversely affect the consolidated financial condition of the Lessee and its consolidated subsidiaries, taken as a whole, or the ability of the Lessee to perform its obligations under the Operative Documents to which it is a party;

(vi) the Lessee and its subsidiaries have filed or caused to be filed all Federal, state, local and foreign tax returns which are required to be filed and have paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by the Lessee or any of its subsidiaries, to the extent that such taxes have become due and payable; the Federal income tax liability, if any, of the Lessee has been determined by the Internal Revenue Service (or the statute of limitations has expired with respect to a redetermination of such liability) and (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) paid for all years prior to and including the fiscal year ended December 31, 1984; the Federal income tax returns of the Lessee for the fiscal years ended December 31, 1985 to December 31, 1990, inclusive, are subject to examination by the Internal Revenue Service;

(vii) the audited consolidated balance sheet of the Lessee and its subsidiaries as of the end of each of its last three fiscal years, and the related consolidated statements of operations and cash flows for the three fiscal years then ended, fairly present the consolidated financial position of the Lessee and its consolidated subsidiaries as at the end of each such fiscal year and the consolidated results of their operations and cash flows for each such fiscal year in accordance with generally accepted accounting principles applied on a consistent basis (except as may be noted in such financial statements); since December 31, 1991, there has been no material adverse change in such consolidated financial position of the Lessee and its consolidated subsidiaries, taken as a whole;

(viii) except for the registration of the Aircraft, pursuant to the Federal Aviation Act, and except for the filing for recording pursuant to said Act of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, the Lease (with the Lease Supplement covering the Aircraft, the Trust Indenture and

the Trust Agreement and Indenture Supplement covering the Aircraft attached), the Trust Agreement and the Trust Indenture (with such Lease Supplement and such Trust Agreement and Indenture Supplement attached), no further action, including any filing or recording of any document (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction), is necessary or advisable in order to establish and perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties (other than the filing of a financing statement in respect thereof under Article 9 of the Uniform Commercial Code as in effect in the State of Texas), or to perfect the security interest in the Owner Trustee's interest in the Aircraft created under the Trust Indenture in favor of the Indenture Trustee (with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to Section 503(a) of the Federal Aviation Act) in any applicable jurisdiction in the United States;

(ix) the Lessee is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended;

(x) the Lessee is not in default in the performance of any term or condition of the Purchase Agreement which materially adversely impairs the transactions contemplated hereby;

(xi) none of the proceeds from the issuance of the Certificates or from the acquisition by the Owner Participant of its beneficial interest in the Trust Estate will be used directly or indirectly by the Lessee to purchase or carry any "margin stock" as such term is defined in Regulation G of the Board of Governors of the Federal Reserve System; and

(xii) the Lessee has not voluntarily subjected the Aircraft to any lease or mortgage, the existence of which has not been disclosed to the Lessor and the Original Loan Participant.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, IN THE PURCHASE AGREEMENT ASSIGNMENT, OR IN THE LEASE TO THE CONTRARY,

EXCEPT TO THE EXTENT SPECIFICALLY PROVIDED IN THE WARRANTY BILL OF SALE REFERRED TO IN SECTION 4(E)(X) ABOVE, THE LESSEE DOES NOT MAKE NOR SHALL THE LESSEE BE DEEMED TO HAVE MADE, AND THE LESSEE HEREBY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE WORKMANSHIP, DESIGN, PATENT INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR USE OF THE AIRCRAFT AS OF THE DELIVERY DATE. NOTHING CONTAINED IN THE PRECEDING SENTENCE SHALL BE INTERPRETED TO BE IN DEROGATION OF OR CONSTRUED TO LIMIT THE LESSEE'S INDEMNITY OBLIGATIONS HEREUNDER OR TO EXCUSE THE PERFORMANCE BY THE LESSEE OF ITS OBLIGATIONS UNDER THIS AGREEMENT, ANY OTHER OPERATIVE DOCUMENT OR THE BILLS OF SALE.

(b) General Indemnity. (1) Claims Defined. For the purposes of this Section 7(b), "Claims" shall mean any and all liabilities, obligations, losses, damages, penalties, claims, actions or suits of whatsoever kind and nature (whether or not on the basis of negligence, strict or absolute liability or liability in tort) which may be imposed on, incurred by, suffered by, or asserted against an Indemnitee, as defined herein, and, except as otherwise expressly provided in this Section 7(b), shall include all reasonable costs, disbursements and expenses (including reasonable legal fees and expenses) of an Indemnitee in connection therewith or related thereto.

(2) Indemnitee Defined. For the purposes of this Section 7(b), "Indemnitee" means the Owner Trustee (in both its individual capacity and as Owner Trustee), the Owner Participant (and, so long as the Owner Participant is a direct or indirect subsidiary of American Telephone and Telegraph Company, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), any Loan Participant, the Indenture Trustee (in both its individual capacity and as Indenture Trustee), Credit (as defined in the Tax Indemnity Agreement) and their respective successors and permitted assigns, directors, officers, employees, agents and servants (the respective successors and permitted assigns, directors, officers, employees, agents and servants of (a) the Owner Trustee, together with the Owner Trustee, (b) the Owner Participant (and, if applicable, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate thereof), together with the Owner Participant (and, if applicable, AT&T Capital Corporation, American Telephone and Telegraph Company and each Affiliate there-

of), (c) any Loan Participant, together with such Loan Participant, (d) the Indenture Trustee, together with the Indenture Trustee, and (e) Credit, together with Credit, being in each case referred to herein collectively as the "Related Indemnatee Group" for each such party).

(3) Claims Indemnified. Subject to the exclusions stated in subsection (4) below, whether or not any of the transactions contemplated hereby shall be consummated, the Lessee agrees to indemnify, protect, defend and hold harmless on an After-Tax Basis each Indemnatee against Claims in any way resulting from or arising out of (i) the Operative Documents, the Bills of Sale or any sublease under the Lease or the enforcement of any of the terms thereof, or any amendment, modification or waiver in respect thereof or any of the transactions contemplated hereby or thereby, (ii) the purchase, acceptance or rejection of the Aircraft, the Airframe, any Engine, engine or Part (or any portion thereof) hereunder, (iii) the manufacture, design, purchase, resale, acceptance, non-acceptance or rejection of the Aircraft, the Airframe, any Engine, engine or Part (or any portion thereof) hereunder or under the Lease, (iv) the Aircraft, whether or not arising out of the ownership, delivery, non-delivery, lease, sublease, possession, use, non-use, substitution, airworthiness, state of airworthiness, control, maintenance, repair, operation, registration, condition, sale, storage, modification, alteration, return, transfer or other disposition of the Aircraft, the Airframe, any Engine, any engine installed on the Airframe or any Part (or portion thereof) (including, without limitation, latent or other defects, whether or not discoverable, strict tort liability, and any claim for patent, trademark or copyright infringement), (v) any breach of or failure to perform or observe, or any other non-compliance with, any covenant, condition or agreement or other obligations to be performed by the Lessee under any Operative Document or the Bills of Sale or the falsity of any representation or warranty of the Lessee in any of the Operative Documents or the Bills of Sale, other than covenants, conditions, agreements, obligations, representations and warranties in the Tax Indemnity Agreement, or (vi) the offer, sale or delivery of any Certificates or any interest in the Trust Estate. Without limitation of the foregoing, the Lessee agrees to pay the reasonable ongoing fees, and the reasonable ongoing out-of-pocket costs and expenses (including, without limitation, reasonable attorney's fees and disbursements and, to the extent

payable as provided in the Trust Indenture, reasonable compensation and expenses of the Indenture Trustee's agents), of the Owner Trustee and the Indenture Trustee in connection with the transactions contemplated by the Operative Documents.

(4) Claims Excluded. The following are excluded from the Lessee's agreement to indemnify any Indemnatee under this Section 7(b):

(i) Any Claim to the extent caused by acts or events occurring after the earlier of (x) the return of the Aircraft under the Lease (it being understood that the date of the placement of the Aircraft in storage as provided in Section 5(d) of the Lease constitutes the date of return of the Aircraft under the Lease), and (y) the expiration or earlier termination of the Lease under circumstances not requiring the return of the Aircraft unless and to the extent such Claim is attributable to acts occurring in connection with the exercise of remedies pursuant to Section 15 of the Lease following the occurrence and continuance of an Event of Default thereunder;

(ii) Any Claim to the extent attributable to a Tax or a Loss, whether or not Lessee is required to indemnify therefor under Section 7(c) of this Participation Agreement or the Tax Indemnity Agreement, provided that this Section 7(b)(4)(ii) shall not exclude the reasonable out-of-pocket costs, disbursements and expenses incurred with respect to Taxes for which the Lessee is required to indemnify under Section 7(c) of this Participation Agreement;

(iii) Any Claim to the extent caused by the gross negligence or willful misconduct of such Indemnatee or any of its Related Indemnatee Group (other than any gross negligence or willful misconduct imputed as a matter of law to such Indemnatee solely by reason of its status as a party to any of the Operative Documents);

(iv) Any Claim to the extent caused by the noncompliance by such Indemnatee or any of its Related Indemnatee Group with any of the terms of, or any misrepresentation by such Indemnatee or any of its Related Indemnatee Group contained in, this Participation Agreement or any other Operative Document to

which such Indemnitee or any of its Related Indemnitee Group is a party or any agreement relating hereto or thereto (except if such representation or warranty was based on an inaccurate representation or warranty of the Lessee);

(v) Any Claim that constitutes a Permitted Lien attributable to such Indemnitee;

(vi) Any Claim to the extent caused by the offer, sale or disposition (voluntary or involuntary) by or on behalf of such Indemnitee of any Certificates or any interest in the Trust Estate or the Trust Agreement, or any similar security, other than a transfer by such Indemnitee of its interests in the Aircraft pursuant to Section 9, 10, 15 or 20 of the Lease;

(vii) Any Claim to the extent caused by a failure on the part of the Owner Trustee to distribute in accordance with the Trust Agreement any amounts received and distributable by it thereunder;

(viii) Any Claim (other than to the extent any such Claim is brought against the Owner Participant or the Owner Trustee and the Related Indemnitee Group of such Indemnitee) to the extent caused by a failure on the part of the Indenture Trustee to distribute in accordance with the Trust Indenture any amounts received and distributable by it thereunder;

(ix) Any Claim to the extent caused by the authorization or giving or withholding by such Indemnitee of any future amendments, supplements, waivers or consents with respect to any of this Participation Agreement and the other Operative Documents, other than such as have been requested by or consented to by the Lessee, or such that occur as a result of an Event of Default that shall have occurred and is continuing, or such as are required or contemplated by (and, if contemplated by, in compliance with) the provisions of the Operative Documents in order to give effect thereto;

(x) Any Claim to the extent caused by an Indenture Default that does not also constitute an Event of Default under the Lease;

(xi) Any Claim that would not have arisen but for the appointment of a successor or an additional Owner Trustee without the consent of the Lessee;

(xii) Any Claim to the extent caused by the failure of a Person other than the Lessee to pay a cost, fee or expense payable by such Person in accordance with Section 9(a), 9(b), 9(c), 9(f), 9(g), 9(j), 16(b), 16(c), or 18(b) hereof, or Section 5(d), 5(f), 9, 10, 11 or 25 of the Lease;

(xiii) Any Claim that is an ordinary and usual operating or overhead expense other than to the extent caused by (a) the occurrence of an Event of Default or an Event of Loss or (b) circumstances beyond the scope of routine portfolio administration (such routine portfolio administration to be deemed to include tax preparation and other normally occurring administrative tasks but shall not include any administrative obligations of the Lessee under the Operative Documents performed by any Indemnitee);

(xiv) Any Claim to the extent that such Claim relates to amounts payable by the Owner Trustee to the Indenture Trustee in respect of the Break Amount, if any, payable with respect to the Certificates as a result of (x) any prepayment of the Certificates or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (y) an Indenture Default that does not also constitute an Event of Default; and

(xv) Any Claim made by American Telephone and Telegraph Company, AT&T Capital Corporation or any Affiliate of either thereof (other than the Owner Participant), to the extent that such Claim is based on losses suffered by or any decline in the net worth of the Owner Participant (but only to the extent that any such losses or decline in net worth are caused by events for which the Owner Participant is not indemnifiable by the Lessee under the Operative Documents).

A limitation on the Claims of one Indemnitee under this Section 7(b)(4) shall not provide a basis for limiting any Claim of any other Indemnitee.

(5) Insured Claims. In the case of any Claim indemnified by the Lessee hereunder which is covered by a policy of insurance maintained by the Lessee pursuant to Section 11 of the Lease, each Indemnatee agrees to cooperate, at the Lessee's expense, with the insurers in the exercise of their rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim.

(6) Claims Procedure. An Indemnatee shall promptly notify the Lessee of any Claim as to which indemnification is sought provided that the failure to provide such prompt notice shall not release the Lessee from any of its obligations to indemnify hereunder. Any amount payable to any Indemnatee pursuant to this Section 7(b) shall be paid within thirty days after receipt of a written demand therefor from such Indemnatee accompanied by a written statement describing in reasonable detail the Claims which are the subject of and basis for such indemnity and the computation of the amount so payable. Subject to clause (x) of the final sentence of this Section 7(b)(6) and to the rights of insurers under policies of insurance maintained pursuant to Section 11 of the Lease, so long as no Event of Default under Section 14(f), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing, the Lessee (at its sole cost and expense) shall have the right to investigate, and the right in its sole discretion to defend or compromise, any Claim for which indemnification is sought under this Section 7(b), and the Indemnatee shall cooperate, at the Lessee's expense, with all reasonable requests of the Lessee in connection therewith; provided, however, that so long as an Event of Default under Section 14(a) of the Lease has occurred and is continuing, such Indemnatee shall have the right, along with the concomitant right of the Lessee, to investigate, defend or compromise any such Claim. The Lessee will provide the Indemnatee with such information not within the control of such Indemnatee, as is in the Lessee's control or as reasonably available to the Lessee, which such Indemnatee may reasonably request and shall otherwise cooperate with such Indemnatee so as to enable such Indemnatee to fulfill its obligations under this Section 7(b)(6). Where the Lessee or the insurers under a policy of insurance maintained by the Lessee undertake the defense of an Indemnatee with respect to a Claim, and so long as the Lessee is entitled to control such defense, no additional legal fees or expenses of such Indemnatee in connection with the defense of such Claim shall be indem-

nified hereunder unless such fees or expenses were incurred at the request of the Lessee or such insurers; provided, however, that if (i) in the written opinion of counsel to such Indemnitee an actual or potential material conflict of interest exists where it is advisable for such Indemnitee to be represented by separate counsel or (ii) such Indemnitee has been indicted or otherwise charged in a criminal complaint and such Indemnitee informs the Lessee that such Indemnitee desires to be represented by separate counsel, the reasonable fees and expenses of any such separate counsel shall be borne by the Lessee. Subject to the requirements of any policy of insurance, an Indemnitee may participate at its own expense in any judicial proceeding controlled by the Lessee pursuant to the preceding provisions; provided that such party's participation does not, in the reasonable opinion of the independent counsel appointed by the Lessee or its insurers to conduct such proceedings, significantly interfere with such control; and such participation shall not constitute a waiver of the indemnification provided in this Section 7(b). Notwithstanding anything to the contrary contained herein, (w) the Lessee shall not under any circumstances be liable for the fees and expenses of more than one counsel for each of (i) the Owner Participant and the Owner Trustee (and their respective successors and permitted assigns, agents and servants and other members of their respective Related Indemnitee Groups) and (ii) the Loan Participants and the Indenture Trustee (and their respective successors and permitted assigns, agents and servants) except in the case specified in the proviso to the fourth sentence of this paragraph (6) and (x) the Lessee shall not be entitled to defend or compromise any Claim if such proceedings will involve a material risk of the sale, forfeiture or loss of, or the creation of any Lien (other than a Permitted Lien) or the Airframe, any Engine or any part of any thereof, or the Indenture Estate or the Trust Estate or any part of any thereof, unless the Lessee shall have provided security for Lessee's obligations under this Section 7(b) with respect to such Claim reasonably satisfactory to the relevant Indemnitees in respect to such risk.

(7) Subrogation. To the extent that a Claim indemnified by the Lessee under this Section 7(b) is in fact paid in full by the Lessee and/or an insurer under a policy of insurance maintained by the Lessee pursuant to Section 11 of the Lease, the Lessee and/or such insurer, as the case may be, shall be subrogated to the rights and

remedies of the Indemnitee on whose behalf such Claim was paid (other than rights of such Indemnitee under insurance policies maintained at its own expense) with respect to the transaction or event giving rise to such Claim, except that the Lessee shall not be subrogated to any rights or remedies that the Owner Trustee may have against the Owner Participant under Section 7.01 of the Trust Agreement or that the Indenture Trustee may have against the Owner Trustee under Section 7.01 of the Trust Indenture. So long as no Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i) of the Lease) shall have occurred and be continuing, should an Indemnitee receive any refund, in whole or in part, with respect to any Claim paid by the Lessee hereunder, it shall promptly pay the amount refunded (but not an amount in excess of the amount the Lessee or any of its insurers has paid in respect of such Claim) over to the Lessee. Moreover, if, by reason of any Claim that the Lessee has paid or indemnified against pursuant to this Section 7(b), an Indemnitee realizes an actual reduction in any Taxes that was not previously taken into account in computing a payment by the Lessee pursuant to this Section 7(b), then such Indemnitee shall promptly pay to the Lessee an amount equal to the actual net reduction in Taxes realized by such Indemnitee attributable thereto plus the actual reduction in Taxes realized by such Indemnitee as a result of any payment to the Lessee pursuant to this sentence. Each Indemnitee shall in good faith use reasonable diligence in filing its tax returns and in dealing with taxing authorities to seek and claim any tax benefits that would result in such net reductions in Taxes.

(8) No Guaranty; Increased Costs. Nothing set forth in this Section 7(b) shall constitute a guarantee by the Lessee that the Aircraft shall have any particular useful life or residual value or a guarantee to the Indenture Trustee or the Loan Participants that the Certificates will be paid. Each of the Loan Participants agrees that the provisions of Section 2.18 of the Trust Indenture constitute its sole remedy for the reimbursement of Increased Costs described therein and that nothing in this Section 7(b) shall constitute an indemnity for any Increased Cost or any cost or loss in the nature of an Increased Cost.

(c) General Tax Indemnity. (1) Indemnity. Except as provided in Section 7(c)(2) hereof, the Lessee

shall pay or indemnify and hold harmless on an After-Tax Basis each Tax Indemnitee from and against any and all fees (including without limitation license, documentation and registration fees) and all taxes, whether now existing or hereafter adopted (including, without limitation, income, gross receipts, sales, use, value-added, property (tangible and intangible), excise and stamp taxes), levies, imposts, duties, charges or withholdings, together with any penalties, fines or interest thereon or other additions thereto (hereinafter collectively called "Taxes" and individually called a "Tax") imposed against or payable by any Tax Indemnitee (including amounts so payable by any such Tax Indemnitee solely as withholding agent), the Lessee, any sublessee, sub-sublessee or other user of the Aircraft, any Engine, or any Part, or any Affiliate of any such user, or imposed against the Aircraft, any Engine or any Part, by any Federal, state or local government or other taxing authority in the United States or by any foreign government or by any territory or possession of the United States or by any international authority or by any political subdivision or taxing authority of any of the foregoing (hereinafter, a "Taxing Authority") in connection with or relating to (a) the construction, mortgaging, financing, refinancing, purchase, acquisition, acceptance, rejection, delivery, nondelivery, transport, location, ownership, control, insurance, registration, reregistration, deregistration, assembly, possession, repossession, operation, use, condition, maintenance, repair, sale, return, abandonment, replacement, preparation, installation, storage, redelivery, manufacture, leasing, subleasing, modification, rebuilding, importation, transfer of title, transfer of registration, exportation or other application or disposition of, the Aircraft, any Engine or any Part or any interest in any thereof, (b) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease, (c) any amount paid or payable pursuant to any Operative Document, (d) the Aircraft, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof, (e) any or all of the Operative Documents, any or all of the Certificates or any interest in any or all thereof, or the offering, registration, reregistration, issuance, acquisition, assumption, modification, reissuance, refinancing or refunding of any or all thereof, and any other documents contemplated hereby or thereby and

amendments and supplements hereto and thereto, (f) the payment of the principal of, or interest or premium on, or other amounts payable with respect to, any or all of the Certificates, whether as originally issued or pursuant to any refinancing, refunding, assumption, modification or reissuance, or any other obligation evidencing any loan in replacement of the loan evidenced by any or all of the Certificates, (g) any change in the Owner Trustee or the situs of the Trust Estate made pursuant to Section 9(d) hereof, (h) the property, or the income, earnings, receipts or other proceeds received with respect to the property, held by the Indenture Trustee under the Trust Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents.

(2) Exclusions. The provisions of Section 7(c)(1) hereof shall not apply to:

(i) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by the United States Federal government that are on, based on or measured by gross or net income or gross or net receipts of the Owner Participant or any related Tax Indemnitee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnitee;

(ii) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by any state or local taxing jurisdiction in the United States ("State or Local Taxing Authority") that are on, based on or measured by net or gross income or net or gross receipts of the Owner Participant or any related Tax Indemnitee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnitee, provided that there shall not be excluded under this clause (ii) any Taxes on, based on or measured by gross income or gross receipts imposed by any State or Local Taxing Authority to the extent such Taxes would have been imposed had the operation or presence of the Air-

craft, any Engine, any Part or the Lessee in, or the Lessee's making payments under the Lease from, the jurisdiction imposing such Taxes been the sole connection between the Owner Participant (and any such related Tax Indemnitee) and such jurisdiction;

(iii) Taxes (other than Taxes in the nature of property, sales, use or rental Taxes) imposed on the Owner Participant by any taxing jurisdiction other than the United States Federal government and other than any State or Local Taxing Authority ("Foreign Taxing Authority") that are on, based on or measured by net or gross income or net or gross receipts of the Owner Participant or any related Tax Indemnitee (including any minimum Taxes, withholding Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of the Owner Participant or any related Tax Indemnitee; provided that there shall not be excluded under this subparagraph (iii) any Taxes imposed by any Foreign Taxing Authority if, and to the extent, such Taxes would have been imposed had the only connections between the Owner Participant (and any such related Tax Indemnitee) and such jurisdiction been (w) the operation or presence in such jurisdiction of the Aircraft, any Engine or any Part, (x) the operation or presence in such jurisdiction of any other items of transportation equipment usable in international commerce owned by the Owner Participant and leased to unrelated lessees in long term net leases, (y) the presence of the Lessee in, or the Lessee's making payments under the Lease from, such jurisdiction or (z) any combination of the preceding clauses (w), (x) and (y);

(iv) Taxes imposed on a Tax Indemnitee on or with respect to any transfer (other than any transfer that occurs (a) as a result of an Event of Default that has occurred and is continuing, (b) as a result of the substitution, replacement, modification, pooling or improvement of the Aircraft or any part thereof or interest therein, any Engine or any Part (c) pursuant to Section 8, 9, 10, or 20 of the Lease or (d) as a result of the pledge by the Owner Trustee of the Indenture Estate pursuant to the Indenture) (x) by a Tax Indemnitee of any interest in the Aircraft, any Engine, any Part or any Certificate or

any interest arising under the Operative Documents or (y) of any interest in a Tax Indemnitee;

(v) Taxes imposed on a Tax Indemnitee to the extent of the excess of such Taxes over the amount of such Taxes that would have been imposed and indemnified against had there not been a transfer (other than any transfer that occurs as a result of an Event of Default that has occurred and is continuing or the pledge by the Owner Trustee of the Indenture Estate pursuant to the Indenture) (x) by a Tax Indemnitee of any interest in the Aircraft, any Engine, any Part or any Certificate or any interest arising under the Operative Documents or (y) of any interest in a Tax Indemnitee;

(vi) Taxes imposed on the Owner Trustee or the Indenture Trustee that are on, based on or measured by any trustee fees for services rendered by the Owner Trustee in its capacity as trustee under the Trust Agreement, or by the Indenture Trustee in its capacity as trustee under the Trust Indenture, as the case may be;

(vii) Taxes for so long as such Taxes are being contested in accordance with the provisions of Section 7(c)(4) hereof;

(viii) Taxes attributable to the Aircraft or any Engine that are imposed with respect to any period after the earlier of (x) the return of the Aircraft (or such Engine) under the Lease (it being understood that the date of the placement of the Aircraft in storage as provided in Section 5(d) of the Lease constitutes the date of return of the Aircraft and Engines under the Lease) and (y) the expiration or earlier termination of the Lease under circumstances not requiring the return of the Aircraft; provided that the exclusion set forth in this subparagraph (viii) shall not apply to Taxes to the extent such Taxes relate to events or conditions occurring or matters arising prior to or simultaneously with such time;

(ix) Taxes that would not have been imposed but for (A) in the case of Taxes imposed on or with respect to the Owner Trustee, the Trust Estate, the Owner Participant or any related Tax Indemnitee with

respect to any of the foregoing, the existence of any Lessor's Liens, (B) in the case of Taxes imposed on or with respect to any Tax Indemnatee (other than Wilmington Trust Company or NationsBank of Georgia, National Association, their respective successors and assigns (including, without limitation, each and any Person who is at any time a replacement Owner Trustee or Indenture Trustee), their respective officers, directors, servants and agents and their respective Affiliates), any act or omission of such Tax Indemnatee or any Tax Indemnatee related to such Tax Indemnatee that is in violation of any of the terms of the Operative Documents, (C) in the case of Taxes imposed on or with respect to any Tax Indemnatee, any act or omission of such Tax Indemnatee or any Tax Indemnatee related to such Tax Indemnatee that constitutes gross negligence or willful misconduct, or the inaccuracy of any representation, warranty or covenant by such Tax Indemnatee or such related Tax Indemnatee, but only if, in any such case described in the immediately preceding clause (B) or (C), such act, omission or inaccuracy is not a result in whole or in part of (I) any act or omission of the Lessee or any sublessee or Person (other than a Tax Indemnatee) that is a user of the Aircraft or any Engine or any Affiliate of any thereof or (II) the breach or inaccuracy of any representation, warranty or covenant of the Lessee or any Affiliate, or (D) in the case of Taxes imposed on or with respect to the Indenture Trustee, the Indenture Estate, any Loan Participant or any related Tax Indemnatee with respect to any of the foregoing, the existence of any Loan Participant Lien;

(x) Taxes imposed on any Tax Indemnatee to the extent such Taxes are increased (A) as a result of a change in the situs of the Trust Estate (other than a change at the Lessee's request or a change that is consented to by the Lessee in writing, which consent shall not unreasonably be withheld and the request for which shall have specified this subparagraph (x)) or (B) as a result of the unreasonable failure of the Owner Participant to comply or the gross negligence of the Owner Trustee in complying with the Lessee's request pursuant to Section 9(d) hereof to move the situs of the Trust Estate to another jurisdiction;

(xi) Taxes imposed on a Tax Indemnitee that would not have been imposed upon such Tax Indemnitee but for any failure of such Tax Indemnitee or any related Tax Indemnitee to comply with (x) certification, information, documentation, reporting or other similar requirements concerning the nationality, residence, identity or connection with the jurisdiction imposing such Taxes, if such Tax Indemnitee's or any related Tax Indemnitee's compliance is reasonably within its control, can be accomplished without material unindemnified cost or risk and is required by statute or by regulation of the jurisdiction imposing such Taxes as a precondition to relief or exemption from such Taxes and the Tax Indemnitee or such related Tax Indemnitee was eligible for such relief or exemption or (y) any other certification, information, documentation, reporting or other similar requirements under the Tax laws or regulations of the jurisdiction imposing such Taxes that would establish entitlement to otherwise applicable relief or exemption from such Taxes for which such Tax Indemnitee is eligible and that are reasonably within such Tax Indemnitee's ability to provide in a timely fashion and can be accomplished without material unindemnified cost or risk, provided that the exclusion set forth in this subparagraph (xi) shall not apply if such failure to comply was due to a failure of the Lessee (A) timely to notify such Tax Indemnitee of such requirement or (B) to provide reasonable assistance in complying with such requirement or, in the case of the Owner Participant, if such failure was the result of the Owner Trustee's negligence or the Owner Trustee's actions or failure to act in accordance with instructions of the Owner Participant;

(xii) Taxes imposed on any Tax Indemnitee in the nature of any intangible or similar tax upon or with respect to the value of the interest of the Owner Participant in the Trust Estate imposed by any government or taxing authority in which the Owner Participant is subject to tax without regard to the ownership or lease of the Aircraft;

(xiii) Taxes that would not have been imposed but for an amendment to any Operative Documents not consented to by the Lessee in writing (other than any

amendment that occurs after an Event of Default has occurred and while it is continuing);

(xiv) Taxes imposed on the Owner Participant, the Owner Trustee or the Trust Estate by the United States or by any state or local government or taxing authority in the United States (including any territory or possession thereof) by reason of the trust described in the Trust Agreement being taxed in the same manner as a corporation;

(xv) Taxes imposed on any Loan Participant that are on, based on or measured by gross or net income or gross or net receipts of such Loan Participant or any related Tax Indemnitee (including any minimum Taxes and any Taxes on or measured by any items of tax preference) or that are franchise Taxes, Taxes on doing business or Taxes on, based on or measured by capital or net worth of such Loan Participant or any related Tax Indemnitee by (x) the Federal government of the United States or (y) any state or local government or taxing authority in the United States or any foreign government or any territory or possession of the United States or any international authority or any political subdivision or taxing authority of any of the foregoing except to the extent that such Taxes would have been due had the use or operation of the Aircraft in the jurisdiction imposing such Taxes been the sole connection between the jurisdiction imposing such Taxes and such Loan Participant (for the avoidance of doubt, nothing in this subparagraph (xv) shall affect the obligation of the Lessee to indemnify on an After-Tax Basis), provided that there shall not be excluded under clause (x) or (y) of this subparagraph (xv) Taxes to the extent imposed by reason of such Loan Participant being treated as having a taxable exchange as a result of the assumption by the Lessee of the rights and obligations of the Owner Trustee under the Indenture and the Certificates pursuant to Section 2.16 of the Indenture; and

(xvi) Taxes imposed on any Loan Participant in the nature of any intangible or similar tax upon or with respect to the value of the interest of such Loan Participant in any Certificate or the loan evidenced thereby.

(3) Tax Benefit Payback. If, by reason of the payment or accrual of any Taxes indemnified hereunder, a Tax Indemnitee realizes an actual reduction in any Taxes, which reduction in Taxes was not taken into account in calculating any indemnity payments made by the Lessee hereunder, then such Tax Indemnitee shall promptly pay to the Lessee an amount equal to such actual reduction in Taxes, if any, plus the actual reduction in Taxes realized by such Tax Indemnitee or any related Tax Indemnitee as the result of any payment made by such Tax Indemnitee pursuant to this sentence. Each Tax Indemnitee shall in good faith use diligence in filing its tax returns and in dealing with Taxing Authorities to seek and claim any tax benefit that would result in any such reduction in Taxes or any refund of any Taxes payable or indemnifiable by the Lessee hereunder. Any Taxes that are imposed on any Tax Indemnitee as a result of the disallowance or reduction of any reduction in Taxes referred to in the second preceding sentence as to which (and to the extent) such Tax Indemnitee has made any payment to the Lessee required hereby shall be treated as a Tax for which the Lessee is obligated to indemnify such Tax Indemnitee pursuant to the provisions of this Section 7(c) without regard to the exclusions set forth in Section 7(c)(2). For the purposes of this Section 7(c)(3), items of foreign Tax of any Tax Indemnitee (other than a Loan Participant) shall be deemed to be utilized by such Tax Indemnitee as credits or deductions in any taxable year in accordance with the following:

(i) First, all available foreign Taxes other than those arising out of leveraged lease transactions; and

(ii) Second, foreign Taxes arising from leveraged lease transactions for which such Tax Indemnitee was not indemnified or held harmless by anyone; and

(iii) Third, all available foreign Taxes for which such Tax Indemnitee was indemnified or held harmless by the Lessee and all other available foreign Taxes indemnified under any other leveraged lease transactions (other than those arising from any transaction in which there is an express agreement that such Taxes shall be utilized last), on a pari passu basis; and

(iv) Fourth, any remaining foreign Taxes arising from any transaction in which there is an express agreement that such Taxes shall be utilized after such Taxes described above.

Notwithstanding anything in this Section 7(c)(3) to the contrary, but without limitation of Section 7(c)(10), in the case of each Tax Indemnitee that is a Loan Participant all determinations as to any tax credits, offsets, deductions or other tax benefits resulting from the payment or accrual of Taxes indemnified hereunder shall be made by such Loan Participant in its sole control.

(4) Contests. If a written claim shall be made against any Tax Indemnitee for any Tax for which the Lessee is obligated pursuant to this Section 7(c), such Tax Indemnitee shall notify the Lessee in writing promptly of such claim, provided that the Lessee shall not be relieved of its obligations hereunder by reason of a failure by the Tax Indemnitee to give such notice unless such failure materially interferes with or prevents the Lessee from exercising its contest rights hereunder. If the Lessee shall so request in writing within 30 days after receipt of such notice, such Tax Indemnitee shall in good faith at the Lessee's expense contest the imposition of such Tax (including taking an appeal of any adverse judicial decision) by (a) resisting payment of such Tax, (b) paying such Tax under protest or (c) paying such Tax and seeking a refund or other repayment thereof, provided that, at such Tax Indemnitee's option, such contest shall be conducted by the Lessee in the name of such Tax Indemnitee or, if permitted by law, in the name of the Lessee, and that in no event shall such Tax Indemnitee be required to contest, or the Lessee permitted to contest in the name of such Tax Indemnitee or the Lessee, the imposition of any Tax for which the Lessee is obligated pursuant to this Section 7(c) unless (v) the Lessee shall have delivered a written opinion of its internal counsel or outside counsel to the effect that there is a reasonable basis (consistent with Formal Opinion 85-352 of the American Bar Association) for contesting such claim, (w) if an Event of Default shall have occurred or be continuing, the Lessee shall have provided security for its obligations hereunder reasonably satisfactory to the Tax Indemnitee, (x) the Lessee shall have agreed to pay such Tax Indemnitee on demand all reasonable out-of-pocket costs and expenses that such Tax Indemnitee may incur in connection with contesting such claim (including, without limitation, all

reasonable legal and accounting fees and disbursements), (y) the action to be taken will not result in any material danger of sale, forfeiture or loss of the Aircraft, Airframe, any Engine or any material Part or any interest in any thereof and (z) if such contest shall be conducted in a manner requiring the payment of the claim, the Lessee shall pay such claim or shall advance to the Tax Indemnitee on an interest-free basis and with no additional net after-tax cost to the Tax Indemnitee sufficient funds to pay the claim. Except as otherwise provided herein, the contest shall be conducted in the manner determined by the Lessee unless it involves issues with respect to which the Lessee would not be required to indemnify such Tax Indemnitee hereunder which can not be severed by reasonable efforts of such Tax Indemnitee from all issues with respect to which the Lessee would be liable hereunder. If the contest involves issues with respect to which the Lessee would not be required to indemnify such Tax Indemnitee hereunder that can not be severed by reasonable efforts of such Tax Indemnitee from all issues with respect to which the Lessee would be liable hereunder, such Tax Indemnitee may in its sole discretion select the forum for such contest and determine the manner in which such contest shall be conducted, provided that such Tax Indemnitee shall afford the Lessee and its counsel a reasonable opportunity to discuss with such Tax Indemnitee the Lessee's interests with respect to such contest. No contest of any issue with respect to which the Lessee would be required to indemnify hereunder shall be settled without the prior written consent of the Lessee unless the Tax Indemnitee waives (by written notice to the Lessee) the payment by the Lessee of any amount that might otherwise be payable by the Lessee under this Section 7(c) in respect of such issue and any related issue the contest of which is effectively foreclosed by the settlement of such issue, including any payment arising from such issue in subsequent years or which arises by reason of the fact that such issue is of a continuing nature, and promptly pays to the Lessee any amount previously paid or advanced by the Lessee with respect to such issue or the contest of such issue, provided that if there has been an adverse judicial decision with respect to such issue or related issue the Tax Indemnitee, in determining whether it will terminate the contest of such issue, shall afford the Lessee and its counsel a reasonable opportunity to discuss with such Tax Indemnitee the Lessee's interests with respect to such contest. If any Tax Indemnitee shall obtain a refund of all or any part of any Tax paid by the

Lessee or with funds provided by the Lessee, such Tax Indemnitee shall pay the Lessee, net of any payments theretofore due to such Tax Indemnitee pursuant to this Section 7(c) but unpaid and any other payments theretofore due to such Tax Indemnitee under any of the Operative Documents but unpaid, an amount equal to the amount of such refund, including interest received attributable thereto, reduced by any Taxes incurred by such Tax Indemnitee or a related Tax Indemnitee by reason of the receipt or accrual of such refund and interest, and increased by any tax benefit realized by such Tax Indemnitee or a related Tax Indemnitee as a result of any payment by such Tax Indemnitee made pursuant to this sentence.

(5) Reports. If any report, return or statement is required to be filed with respect to any Tax that is a property tax (or a tax in the nature of a property tax) subject to indemnification under this Section 7(c), the Lessee shall timely file the same (except for any such report, return or statement which the Tax Indemnitee has notified the Lessee that the Tax Indemnitee intends to file, provided that such Tax Indemnitee shall have furnished the Lessee, at the Lessee's request and expense, with such information, not within the control of the Lessee, as is in such Tax Indemnitee's control and is reasonably available to such Tax Indemnitee and reasonably necessary to file such returns. The Lessee shall either file such report, return or statement so as to show the ownership of the Aircraft in the Owner Trustee and send a copy of such report, return or statement to the Tax Indemnitee, and the Owner Trustee if the Tax Indemnitee is not the Owner Trustee, or, where the Lessee is not permitted to so file, shall notify the Tax Indemnitee of such requirement and prepare and deliver such report, return or statement to the Tax Indemnitee in a manner satisfactory to such Tax Indemnitee within a reasonable time prior to the time such report, return or statement is to be filed. The Lessee shall also furnish promptly upon written request such data in its possession or otherwise reasonably available to it as any Tax Indemnitee may reasonably request to enable such Tax Indemnitee to comply with the requirements of any Taxing Authority. The Lessee shall hold each Tax Indemnitee harmless from and against the penalties, additions to tax and fines arising from any insufficiency or inaccuracy in any such report, return or statement or fairly attributable to the inaccuracy of any data supplied to any Tax Indemnitee by the Lessee, without regard to whether such penalties, additions to tax and

finances are otherwise indemnifiable under this Section 7(c). If any report, return or statement is required to be filed with respect to any Tax (other than a property tax or a tax in the nature of a property tax) subject to indemnification under this Section 7(c), the Lessee will promptly notify the appropriate Tax Indemnitee upon the Lessee's obtaining actual knowledge of such requirement. If the Lessee receives written notice from a Taxing Authority of a Tax that is imposed upon a Tax Indemnitee but not indemnified against by the Lessee hereunder, the Lessee will forward a copy of such notice to such Tax Indemnitee.

(6) Payment. The Lessee shall pay any Tax for which it is liable pursuant to this Section 7(c), directly to the appropriate taxing authority or upon demand of a Tax Indemnitee to such Tax Indemnitee, within 30 Business Days of a written demand, but in no event prior to the date such Tax is due (including all extensions), or, in the case of Taxes which are being contested, the time such contest is finally resolved. Any such demand shall specify in reasonable detail the calculation to the payment and the facts upon which the right to payment is based. Each Tax Indemnitee shall promptly forward to the Lessee any notice, bill or advice received by it concerning any Tax which the Lessee may be required to indemnify against hereunder. Upon the written request of an appropriate Tax Indemnitee, the Lessee shall furnish such Tax Indemnitee the original or a certified copy of a receipt (if any is available to the Lessee) for the Lessee's payment of any Tax that is subject to indemnification pursuant to this Section 7(c), or such other evidence of payment of such Tax as is acceptable to such Tax Indemnitee (and available to the Lessee).

(7) Application of Payments During Existence of Event of Default. Any amount payable to the Lessee pursuant to the terms of this Section 7(c) shall not be paid to the Lessee if at the time such payment would otherwise be made an Event of Default or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing but shall be held by the Tax Indemnitee as security for the obligations of the Lessee under the Operative Documents and, if the Lessor declares the Lease to be in default pursuant to Section 15 thereof (or the Lease is deemed to be declared in default), applied against the Lessee's obligations under the Operative Docu-

ments as and when due, provided that no such amount shall be held as security for more than 180 days unless the Lessor or the Indenture Trustee shall be precluded by law or court order from exercising remedies under Section 15 of the Lease. At such time as there shall not be continuing any such Event of Default or other event or such 180-day period shall have elapsed, such amount shall be paid to the Lessee to the extent not previously applied in accordance with the preceding sentence.

(8) Forms, Etc. Each Tax Indemnitee agrees to furnish from time to time to the Lessee or to such other person as the Lessee may designate, at the Lessee's request in writing and expense, such duly executed and properly completed forms as may be necessary or appropriate in order to claim any reduction of or exemption from any withholding or other Tax imposed by any Taxing Authority which the Lessee may be required to indemnify against hereunder, if (x) such reduction or exemption is available to such Tax Indemnitee and (y) the Lessee has provided such Tax Indemnitee with any information necessary to complete such form not otherwise reasonably available to such Tax Indemnitee.

(9) Non-Parties. If a Tax Indemnitee is not a party to this Agreement, the Lessee may require the Tax Indemnitee to agree in writing, in a form reasonably acceptable to the Lessee, to the terms of this Section 7(c) prior to making any payment to such Tax Indemnitee under this Section 7(c).

(10) Verification. At the Lessee's request, the amount of any indemnity payment by the Lessee pursuant to this Section 7 or any payment by a Tax Indemnitee to the Lessee pursuant to this Section 7 shall be verified and certified by either the independent public accounting firm that audits the financial statements of such Tax Indemnitee (provided that such firm shall have its headquarters in the United States) or another independent public accounting firm selected by such Tax Indemnitee and reasonably satisfactory to the Lessee, provided that, in the case of any Loan Participant, the amount of any payment by such Loan Participant to the Lessee pursuant to this Section 7 shall be verified and certified by the independent public accounting firm that audits the financial statements of such Loan Participant. The fee of such independent public accounting firm shall be paid by the Lessee unless such verification shall disclose an error in

such Tax Indemnitee's favor exceeding 10% of the amount of such payment determined by the Tax Indemnitee, in which case such fee shall be paid by such Tax Indemnitee. The Lessee will have no right to examine the tax returns of the Tax Indemnitee in connection with the verification procedure described in this Section 7(c)(10); each Tax Indemnitee agrees to cooperate with the independent public accounting firm performing the verification and to supply such firm with all information reasonably necessary to permit it to accomplish such verification, provided that the information provided to such firm by such Tax Indemnitee shall be for its confidential use.

(11) Definition. For purposes of this Section 7(c), "Tax Indemnitee" shall mean the Owner Participant, the Owner Trustee, in its individual capacity and as trustee, the Trust Estate, each Loan Participant, the Indenture Trustee, in its individual capacity and as trustee, and the Indenture Estate, and any reference to a Tax Indemnitee, the Owner Participant, the Owner Trustee, the Trust Estate, any Loan Participant, the Indenture Trustee or the Indenture Estate shall include its respective successors, permitted assigns, officers, directors, agents, servants and Affiliates and shall also include any member of the Affiliated Group of which such Tax Indemnitee, the Owner Participant, the Owner Trustee, the Trust Estate, such Loan Participant, the Indenture Trustee, or the Indenture Estate, as the case may be, is a member.

(12) Subrogation. Upon payment of any Tax by the Lessee pursuant to this Section 7(c) to or on behalf of a Tax Indemnitee, the Lessee, without any further action, shall be subrogated (unless a court of competent jurisdiction shall have entered a final judgment ordering the return of such payment to the Lessee) to any claims that such Tax Indemnitee may have relating thereto other than claims in respect of insurance policies maintained by such Tax Indemnitee at its own expense. Such Tax Indemnitee shall give such further reasonable assurances or agreements and cooperate with the Lessee to permit the Lessee to pursue such claims; provided that the Lessee shall reimburse such Tax Indemnitee for all reasonable out-of-pocket costs associated with such assurances, agreements or cooperation.

(d) Survival. The representations, warranties, indemnities and agreements of the Lessee provided for in

this Section 7 and the Lessee's obligations under any and all thereof, and the obligations of any Indemnitee or Tax Indemnitee under this Section 7, shall survive the Owner Participant's and the Original Loan Participant's making of their respective Commitments, the delivery of the Aircraft and the expiration or other termination of the Operative Documents.

(e) Payments; Interest. Any payments made pursuant to this Section 7 directly to an Indemnitee or a Tax Indemnitee or to the Lessee, as the case may be, shall be made in immediately available funds at such bank or to such account as is specified by the payee in written directions to the payor or, if no such directions shall have been given, by certified check of the payor payable to the order of the payee and mailed to the payee by certified mail, return receipt requested, postage prepaid to its address referred to in Section 15(c) of this Agreement (or, in the case of an Indemnitee or Tax Indemnitee that is not a party to this Agreement, to such address as shall have been furnished by it in writing to the Lessee). To the extent permitted by applicable law, interest at the Overdue Rate shall be paid, on demand, on any amount or indemnity not paid when due pursuant to this Section 7 until the same shall be paid. Such interest shall be paid in the same manner as the unpaid amount in respect of which such interest is due.

(f) Effect of Other Indemnities. The Lessee's obligations under the indemnities provided for in this Agreement shall be those of a primary obligor whether or not the Person indemnified shall also be indemnified with respect to the same matter under the terms of this Agreement, the Lease, the Trust Indenture, the Trust Agreement or any other document or instrument, and the Person seeking indemnification from the Lessee pursuant to any provisions of this Agreement may proceed directly against the Lessee without first seeking to enforce any other right of indemnification.

Section 8. Representations and Warranties. (a) The Owner Participant represents and warrants that neither it nor any Person authorized by it to act on its behalf has directly or indirectly offered any Certificates or any interest in and to the Trust Estate, the Trust Agreement, or any similar security for sale, or solicited any offer to acquire any of the same other than in a manner required or permitted by the Securities Act of

1933, as amended, and by the rules and regulations thereunder. The Owner Participant represents and warrants that its interest in and to the Trust Estate and the Trust Agreement is being acquired for its own account and it is being purchased for investment and not with a view to any resale or distribution thereof; provided, however, that such representation shall in no way limit the Owner Participant's right to transfer such interest pursuant to, and in accordance with all the terms and conditions of, Section 16(c) hereof.

(b) The Lessee represents that neither it nor any Person authorized to act on its behalf has (i) directly or indirectly offered any interest in or to the Trust Estate or the Trust Agreement to, or solicited any offer to acquire any of the same from, anyone other than the Owner Participant and not more than 35 other institutional investors, (ii) directly or indirectly offered the Certificates for sale to, or solicited any offer to acquire any of the same from, anyone other than the Original Loan Participant and not more than 35 other institutional investors or (iii) offered any interest in the Trust Estate or any Certificate in a manner that would violate the Securities Act of 1933, as amended, the regulations thereunder or judicial or administrative interpretations thereof having the force of law.

(c) The Owner Trustee represents and warrants, both in its individual capacity and as trustee, that it has not directly or indirectly offered any Certificates or any interest in or to the Trust Estate, the Trust Agreement, or any similar security, for sale to, or solicited any offer to acquire any of the same from, anyone.

(d) The Indenture Trustee, in its individual capacity (except with respect to enforceability as set forth in clause (iii) below) and as trustee, represents and warrants that:

(i) it is a national banking association duly organized and validly existing and holding a valid certificate to do business as a national banking association with trust powers under the laws of the United States in good standing under the laws of the United States, is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the

Federal Aviation Administration thereunder without the use of any voting trust agreement or similar arrangement, and will resign as Indenture Trustee promptly after an officer in its corporate trust department obtains actual knowledge that it has ceased to be such a citizen, and has the full corporate power, authority and legal right under the laws of the State of Georgia and the laws of the United States pertaining to its banking, trust and fiduciary powers to execute, deliver and carry out the terms of each of the Operative Documents to which it is a party;

(ii) the execution, delivery and performance by the Indenture Trustee of each of the Operative Documents to which the Indenture Trustee is a party have been duly authorized by the Indenture Trustee and will not violate its articles of association or by-laws or the provisions of any indenture, mortgage, contract or other agreement or instrument to which it is a party or by which it is bound or by which its properties may be bound or affected; and

(iii) each Operative Document to which it is a party has been duly executed and delivered and constitutes its legal, valid and binding obligation enforceable against it in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity.

(e) The Owner Trustee, in its individual capacity (except with respect to clauses (iii) and (v) below) and as Owner Trustee, represents and warrants that:

(i) the Owner Trustee, in its individual capacity, is a Delaware banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, has full corporate power and authority to carry on its business as now conducted and to enter into and perform its obligations hereunder and under the Trust Agreement and (assuming due authorization, execution and delivery of the Trust Agreement by the Owner Participant) has full power and authority, as Owner Trustee and/or, to the extent expressly provided herein or therein, in its individual capacity, to enter into and perform its

obligations under each of the Operative Documents to which it is a party;

(ii) the Owner Trustee in its trust capacity and, to the extent expressly provided therein, in its individual capacity, has duly authorized, executed and delivered the Trust Agreement and (assuming the due authorization, execution and delivery of the Trust Agreement by the Owner Participant) each of the other Operative Documents to which it is a party and the Certificates to be delivered on the Delivery Date for the Aircraft; and the Trust Agreement constitutes a legal, valid and binding obligation of the Owner Trustee, in its individual capacity, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(iii) assuming the due authorization, execution and delivery of the Trust Agreement by the Owner Participant, each of the Operative Documents (other than the Trust Agreement) to which it is a party constitutes, or when entered into will constitute, a legal, valid and binding obligation of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(iv) neither the execution and delivery by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of the Operative Documents to which it is or will be a party or the Certificates to be delivered on the Delivery Date for the Aircraft, nor the consummation by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or thereby, nor the compliance by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, with any of the terms and provisions hereof and

thereof, (A) requires or will require any approval of its stockholders, or approval or consent of any trustees or holders of any indebtedness or obligations of it, or (B) violates or will violate its certificate of incorporation or by-laws, or contravenes or will contravene any provision of, or constitutes or will constitute a default under, or results or will result in any breach of, or results or will result in the creation of any Lien (other than as permitted under the Lease) upon its property under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sale contract, bank loan or credit agreement, license or other agreement or instrument to which it is a party or by which it is bound, or contravenes or will contravene any law, governmental rule or regulation of the United States of America or the State of Delaware governing the banking or trust powers of the Owner Trustee, or any judgment or order applicable to or binding on it;

(v) there are no Taxes payable by the Owner Trustee, either in its individual capacity or as Owner Trustee, imposed by the State of Delaware or any political subdivision thereof in connection with the execution and delivery by the Owner Trustee in its individual capacity of the Trust Agreement, and, in its individual capacity or as Owner Trustee, as the case may be, of this Agreement, the other Operative Documents to which it is a party or the Certificates; and there are no Taxes payable by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, imposed by the State of Delaware or any political subdivision thereof in connection with the acquisition of its interest in the Aircraft (other than franchise or other taxes based on or measured by any fees or compensation received by the Owner Trustee for services rendered in connection with the transactions contemplated hereby);

(vi) there are no pending or threatened actions or proceedings against the Owner Trustee, either in its individual capacity or as Owner Trustee, before any court or administrative agency which, if determined adversely to it, would materially adversely affect the ability of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to perform its obligations under the Trust

Agreement, the other Operative Documents to which it is a party or the Certificates;

(vii) both its chief executive office, and the place where its records concerning the Aircraft and all its interest in, to and under all documents relating to the Trust Estate, are located at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-3), and the Owner Trustee, in its individual capacity, agrees to give the Owner Participant, the Indenture Trustee and the Lessee at least 30 days' prior written notice of any relocation of said chief executive office or said place from its present location;

(viii) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any State of Delaware or local governmental authority or agency or any United States federal governmental authority or agency regulating the banking or trust powers of the Owner Trustee, in its individual capacity, is required for the execution and delivery of, or the carrying out by, the Owner Trustee in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or by the Trust Agreement or of any of the transactions contemplated by any other of the Operative Documents to which the Owner Trustee is or will be a party, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken;

(ix) on the Delivery Date, each of the Trust Estate and the Indenture Estate shall be free of any Lessor's Liens attributable to the Owner Trustee in its individual capacity;

(x) all funds received by the Owner Trustee from the Owner Participant pursuant to the Trust Agreement will be administered by it in accordance with Article IV of the Trust Agreement; and

(xi) it is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration thereunder (without making use of a voting trust agreement or a voting powers agreement).

(f) The Owner Participant represents and warrants that:

(i) the Owner Participant is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its present business and operations, to own or lease its properties and to enter into and perform its obligations under this Agreement, the Tax Indemnity Agreement and the Trust Agreement, and this Agreement, the Tax Indemnity Agreement and the Trust Agreement have been duly authorized, executed and delivered by it and are legal, valid and binding on it and are enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general equity principles;

(ii) the execution and delivery by the Owner Participant of this Agreement, the Tax Indemnity Agreement and the Trust Agreement and compliance by it with all of the provisions thereof do not and on the Delivery Date will not contravene any law or any order of any court or governmental authority or agency applicable to or binding on it (it being understood that no representation or warranty is made with respect to laws, rules, or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee other than such laws, rules, or regulations relating to the citizenship requirements of the Owner Participant under applicable law) or contravene the provisions of, or constitute a default under, its articles of incorporation or by-laws or any indenture, mortgage, contract or any agreement or instrument to which it is a party or by which it or any of its property may be bound or affected;

(iii) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than as required by the Federal Aviation Act or the regulations promulgated thereunder) is required for the due execution, delivery or performance by it of this Agreement, the Tax Indemnity Agreement and the Trust Agreement;

(iv) the Trust Estate is free of Lessor's Liens attributable to it;

(v) it is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration thereunder (without making use of a voting trust agreement or a voting powers agreement);

(vi) there are no pending or threatened actions or proceedings before any court or administrative agency which would materially adversely affect its financial condition or its ability to perform its obligations under this Agreement, the Tax Indemnity Agreement or the Trust Agreement; and

(vii) no part of the funds to be used by it to make its investment pursuant to Section 1 constitutes assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA).

(g) The Original Loan Participant represents and warrants that:

(i) the Certificates to be acquired by it pursuant to this Agreement and the Trust Indenture are being acquired by it for its own account and for investment and not with a view to any resale or distribution thereof, provided that the Original Loan Participant may sell, assign, pledge, or otherwise transfer or grant participations in all or any portion of such Certificates in accordance with all the terms and conditions of Sections 9(p) and 9(q) hereof, the Original Loan Participant hereby agreeing to such conditions; and

(ii) no part of the funds to be used by it to make its investment pursuant to Section 1 constitutes assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or of any "plan" (as defined in Section 4975(e) of the Code).

SECTION 9. Certain Covenants. (a) The Owner Participant agrees promptly to pay or, if previously paid by the Lessee, to reimburse the Lessee for, (x) the initial fees of the Owner Trustee and the Indenture Trustee in connection with the transactions contemplated hereby and (y) all the reasonable out-of-pocket costs and ex-

penses incurred by the Indenture Trustee, the Owner Trustee, the Owner Participant and the Original Loan Participant in connection with the negotiation, preparation, execution and delivery of this Agreement, the other Operative Documents and any other documents or instruments referred to herein or therein, including, without limitation,

(i) the reasonable fees, expenses and disbursements of (A) White & Case, special counsel for the Original Loan Participant, (B) Powell, Goldstein, Frazer & Murphy, special counsel for the Indenture Trustee, (C) Potter Anderson & Corroon, special counsel for the Owner Trustee, and (D) Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma;

(ii) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant;

(iii) the reasonable fees, expenses and disbursements of Debevoise & Plimpton, special counsel for the Lessee, and the fees and expenses of Babcock & Brown, the Lessee's financial advisor, in amounts separately agreed; and

(iv) all other reasonable expenses incurred in connection with such actions and transactions, including, without limitation, the fees and expenses of one (but only one) aircraft appraiser in respect of the appraisal referred to in Section 4, printing and document production or reproduction expenses and all fees, taxes and other charges payable in connection with the recording or filing of the instruments and financing statements described in this Agreement.

Each of the Owner Trustee, the Lessee, the Original Loan Participant and the Indenture Trustee shall promptly submit to the Owner Participant copies of the invoices in respect of the foregoing transaction costs as they are received, and in all events not later than December 31, 1992. The Owner Participant prior to the payment thereof will send copies of any invoices received by it with respect to any of the foregoing fees, expenses and disbursements constituting transaction costs to the Lessee for the Lessee's review and approval, such approval not to be unreasonably withheld or delayed.

In the event that the transactions contemplated by this Agreement and the agreements referred to herein are not consummated, the Lessee shall bear and pay all costs, expenses and fees referred to above; provided that (x) if the transaction fails to be consummated as a result of failure of the Owner Participant to act in good faith in consummating the transactions, or to fulfill its funding obligations or otherwise to comply with the terms hereof or thereof, the Owner Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and (y) if the transaction fails to be consummated as a result of failure of the Original Loan Participant to act in good faith in consummating the transaction, or to fulfill its funding obligations or otherwise to comply with the terms hereof or thereof, the Original Loan Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel) and the Lessee shall, in either such case, pay all other reasonable fees, costs and expenses as aforesaid.

(b) The Owner Participant covenants that if (i) it ceases to be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and (ii) either (A) the Aircraft shall or would thereupon become ineligible for registration in the name of the Owner Trustee under the Federal Aviation Act as in effect at such time, or under the law of the current jurisdiction of registry of the Aircraft, as the case may be, and the regulations then applicable thereunder, or (B) the Aircraft is registered in a jurisdiction other than the United States in circumstances in which clause (A) does not apply and the Lessee at any time proposes to register the Aircraft within four months in any jurisdiction to which clause (A) would apply upon such reregistration, then the Owner Participant at its own expense shall promptly (and, in any event, within a period of 30 days) either transfer, pursuant to Article VIII of the Trust Agreement and Section 16(c) hereof, such of its right, title and interest in and to the Trust Agreement, the Trust Estate, and this Agreement, or take such other action, as may be necessary to prevent any deregistration of the Aircraft or to make possible its registration in the United States. Each party hereto agrees to take such steps as the Owner Participant shall reasonably request in order to assist the Owner Participant in complying with its obligations under this Section 9(b). The Owner Participant hereby agrees to indemnify the Lessee and the

Indenture Trustee against any and all losses, liabilities and expenses incurred by the Lessee or the Indenture Trustee to the extent that any such losses, liabilities or expenses are caused by the Aircraft's so becoming ineligible or ceasing to remain eligible for such registration.

(c) The Owner Trustee in its individual capacity covenants that if at any time it shall cease to be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act, it will resign immediately as Owner Trustee (if and so long as such citizenship is necessary under the Federal Aviation Act, or the law of the current jurisdiction of the registry of the Aircraft, as the case may be, as in effect at such time or, if it is not necessary, if and so long as the Owner Trustee's citizenship (in its individual capacity) would have any adverse effect on the Lessee). The Owner Trustee in its individual capacity hereby unconditionally agrees with and for the benefit of the parties to this Agreement that the Owner Trustee in its individual capacity will not directly or indirectly create, incur, assume or suffer to exist any Lessor's Liens on or against any part of the Trust Estate, the Indenture Estate or the Aircraft arising out of any act or omission of or claim against the Owner Trustee in its individual capacity, and the Owner Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary to duly discharge and satisfy in full (i) all Lessor's Liens attributable to the Owner Trustee in its individual capacity and (ii) any other liens or encumbrances attributable to the Owner Trustee in its individual capacity on any part of the Trust Estate or the Indenture Estate which result from claims against the Owner Trustee in its individual capacity not related to the ownership of the Aircraft, the administration of the Trust Estate or the Indenture Estate or the transactions contemplated by the Operative Documents. The Owner Trustee, in its individual capacity, hereby agrees to indemnify and hold harmless the Lessee, the Indenture Trustee and each Participant from and against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as a result of the failure of the Owner Trustee to discharge and satisfy any such Lessor's Lien or other lien or encumbrance.

(d) Each of the Owner Participant and the Owner Trustee (in its individual capacity and as Owner Trustee) agrees with the Lessee that it shall not take

any action, or cause any action to be taken, which would amend, modify or supplement any provision of the Trust Agreement in a manner adversely affecting the Lessee without the prior written consent of the Lessee and (so long as the Trust Indenture shall not have been discharged) the Indenture Trustee, which consent shall not be unreasonably withheld. The Owner Trustee confirms for the benefit of the Lessee that it will comply with the provisions of Article IV of the Trust Agreement. The Owner Participant agrees not to terminate or revoke the trust created by the Trust Agreement without the prior written consent of the Lessee and (so long as the Trust Indenture shall not have been discharged) the Indenture Trustee, which consent shall not be unreasonably withheld. The Owner Participant further agrees not to remove the institution acting as Owner Trustee, and not to replace the institution acting as Owner Trustee in the event that such institution resigns as Owner Trustee, unless the Owner Participant shall have consulted in good faith with the Lessee prior to such removal or replacement as to the identity, location and fee schedules of the proposed successor trustee, provided that (i) the Owner Participant shall retain the right, notwithstanding any such consultation, to act in its sole discretion (provided that the Owner Participant shall not choose a replacement Owner Trustee which, in the good faith opinion of the Lessee, may result in additional liability to the Lessee pursuant to Section 7(c) hereof, except in the case of a mandatory or voluntary resignation of the Owner Trustee where the Lessee has not proposed an alternative Owner Trustee which is reasonably satisfactory to the Owner Participant) and (ii) no such consultation shall be required if an Event of Default shall have occurred and be continuing. So long as no Event of Default shall occur and be continuing, the Owner Trustee and the Owner Participant agree that no co-trustee or separate trustee shall be appointed pursuant to Section 9.02 of the Trust Agreement without the Lessee's prior written consent, such consent not to be unreasonably withheld. The Owner Participant agrees that if, at any time, so long as no Event of Default has occurred and is continuing, the Lessee certifies that the Lessee has, or in the good faith opinion of the Lessee will, become obligated to pay an amount pursuant to Section 7(c) hereof and the amount that has or will become payable would be reduced or eliminated if the situs of the Trust Estate were changed and if, as a consequence thereof, the Lessee should request that the situs of the trust be moved to another state in the United States from the state in which it is then located, the Owner Participant

shall direct such change in situs of the Trust Estate as may be specified in writing by the Lessee and the Owner Participant will take whatever action as may be reasonably necessary to accomplish such change; provided that the Lessee shall provide such additional indemnification for Taxes imposed by the jurisdiction to which the Trust Estate is to be moved as the Owner Participant may reasonably request. The Indenture Trustee shall execute such documents and take such action as may be necessary to effect such change in the situs of the Trust Estate; provided that the Lien created by the Indenture shall continue to be perfected.

(e) [Intentionally omitted].

(f) The Owner Participant agrees that, in the event of the termination of the Lease pursuant to Section 9 thereof, the Owner Participant will pay any fees and commissions of any broker or finder appointed by the Owner Trustee or the Owner Participant, or any fees and commissions payable to the Lessee pursuant to such Section 9, in connection with the sale of the Aircraft. In addition, the Owner Participant agrees to pay or cause to be paid to the Owner Trustee such amounts as may be necessary to enable the Owner Trustee to pay any amounts to the Lessee pursuant to Section 9 or 15 of the Lease as a rebate of any Basic Rent theretofore paid under the Lease.

(g) Each Loan Participant hereby unconditionally agrees to perform its respective obligations under the Trust Indenture (including, without limitation, those contained in Sections 2.17 and 2.18 of the Trust Indenture) as though such obligations were fully set forth herein.

(h) The Owner Trustee, in its capacity as Owner Trustee, will not incur any indebtedness for money borrowed, or enter into any business or other activity, except as contemplated hereby and by the other Operative Documents.

(i) The Indenture Trustee in its individual capacity hereby unconditionally agrees with and for the benefit of the parties to this Agreement that the Indenture Trustee in its individual capacity or as Indenture Trustee will not directly or indirectly create, incur, assume or suffer to exist any Liens on or against any part of the Trust Estate, the Indenture Estate or Aircraft

arising out of any act or omission of or claim against the Indenture Trustee in its individual capacity, and the Indenture Trustee in its individual capacity agrees that it will at its own cost and expense promptly take such action as may be necessary duly to discharge and satisfy in full (i) all such Liens attributable to the Indenture Trustee in its individual capacity and (ii) any other liens or encumbrances attributable to the Indenture Trustee in its individual capacity on any part of the Trust Estate or the Indenture Estate which result from claims against the Indenture Trustee in its individual capacity not related to the administration of the Indenture Estate. The Indenture Trustee hereby agrees to indemnify and hold harmless the Lessee, the Owner Trustee and each Participant from and against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as a result of the failure of the Indenture Trustee to discharge and satisfy any such Lien or such other lien or encumbrance.

(j) The Owner Trustee agrees that any profit, income, interest, dividend or gain realized upon the maturity, sale or other disposition of any Permitted Investment made by the Indenture Trustee pursuant to Section 3.07(b) of the Trust Indenture, and paid to the Lessee on behalf of the Owner Trustee by the Indenture Trustee in accordance with the terms of such Section 3.07(b), shall be entirely for the account of, and the sole property of, the Lessee who, for such purposes, shall not be deemed to be acting as agent of the Owner Trustee, and the Lessee shall have no obligation to pay over such income, interest, dividend or gain to the Owner Trustee.

(k) Each of the Indenture Trustee and each Loan Participant, by its acceptance of a Certificate, hereby irrevocably agree, to the maximum extent permitted by law, that, in any case in which any Person (other than the Lessee alone) is the debtor or one of the debtors under the Bankruptcy Code, each of the Indenture Trustee and each Loan Participant shall be deemed to have made a timely election pursuant to Section 1111(b)(1)(A)(i) of the Bankruptcy Code (or any substantively comparable provision which is the successor thereto) as to the Indenture Estate (which is acknowledged and agreed not to include Excepted Property).

(l) Each Loan Participant hereby unconditionally agrees with and for the benefit of the parties to this Agreement that it will not directly or indirectly create, incur, assume or suffer to exist any Loan Participant Liens attributable to it on or against any part of the Trust Estate, the Indenture Estate or the Aircraft, and each Loan Participant agrees that it will, at its own cost and expense, promptly take such action as may be necessary duly to discharge and satisfy in full any such Lien attributable to it; and each Loan Participant hereby indemnifies and holds harmless the Lessee, the Indenture Trustee, the Owner Participant, and any subsequent holders of Certificates or any subsequent Owner Participant from and against any loss, cost, expense or damages (excluding consequential damages) which may be suffered by any of them as a result of its failure to discharge and satisfy any such Lien attributable to it.

(m) Each of the Owner Participant and the Owner Trustee hereby agrees, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; provided that prior to any such change in the country of registry of the Aircraft (other than a change in the country of registry that results in the registration of the Aircraft under the laws of the United States of America), the Owner Participant and the Owner Trustee shall have received from counsel to the Lessee reasonably satisfactory to the Owner Participant an opinion to the effect that (i) the terms of any relevant sublease and the Lease are legal, valid, binding and enforceable in such country to substantially the same extent as such documents are at that time enforceable in the United States, (ii) there is no statutory, regulatory or case law in such country imposing tort liability on the owner of an aircraft not in possession thereof under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such an owner under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Owner Participant, such opinion shall be waived if insurance reasonably satisfactory to the Owner Participant is provided by the Lessee to cover the risk of such liability), (iii) such re-registration will not result in the imposition by such country of any Taxes on the Owner Trustee or the Owner Participant for which the Lessee is not required to indemnify the Owner Participant or the Owner Trustee, as the case may be (provided that in lieu of the opinion referred to in this clause (iii) the Lessee may indemnify the Owner Participant

or the Owner Trustee, as the case may be, for any Taxes imposed by such country in connection with or relating to the transactions contemplated by the Operative Documents which would not have been imposed but for such re-registration); (iv) there exist no possessory rights in favor of the Lessee or any sublessee under the laws of such country which would, upon bankruptcy of or other default by the Lessee or any sublessee, prevent the return of the Aircraft to the Owner Trustee in accordance with and when permitted by the terms of Sections 14 and 15(a) of the Lease upon the exercise by the Owner Trustee of its remedies under Section 15(a) of the Lease; (v) it is not necessary for the Owner Participant or the Owner Trustee to qualify to do business in such jurisdiction solely as a result of the proposed re-registration; (vi) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Lessee shall have provided contemporaneously with such re-registration insurance reasonably satisfactory to the Lessor and the Owner Participant covering the risk of requisition of use of the Aircraft by the government of such country so long as the Aircraft is registered under the laws of such country); and (vii) the Lessee shall have paid or made provision for the payment of all expenses of the Owner Participant and the Owner Trustee in connection with such change in registration; and provided, further, that (x) the Owner Trustee and the Owner Participant shall have received prior to or contemporaneously with such re-registration (1) a certificate of insurance signed by an independent insurance broker to the effect that the Aircraft is and after such re-registration will continue to be insured in such country in accordance with the requirements of Section 11 of the Lease, (2) a certificate signed by a duly authorized officer of the Lessee stating that no Event of Default exists as of the date of such certificate and no Event of Default will occur or exist upon or resulting from such re-registration, (3) evidence and assurances reasonably satisfactory to such parties, that the aircraft and engine maintenance standards under the laws of such country of reregistration are substantially similar to those required by the central civil aviation authority of any of the United States, the United Kingdom, the Federal Republic of Germany, France, Canada or Japan, and (4) in the case of the Owner Par-

ticipant only, assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have agreed to provide the requisition insurance described in clause (vi) above) and (y) the Lessee shall not cause the Aircraft to be registered pursuant to Section 7(a)(i) of the Lease under the laws of any foreign jurisdiction without the prior written consent of the Owner Participant if (1) the civil aviation laws of such foreign jurisdiction impose unusual requirements on registrants of civil aircraft, and (2) the Owner Participant would be required to comply with such unusual requirements upon the registration of the Aircraft in such foreign jurisdiction, and the Owner Participant's compliance therewith would result in a material burden on the Owner Participant's business activities.

(n) Each of the Indenture Trustee and each Loan Participant hereby agrees, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; provided that prior to any such change in the country of registry of the Aircraft (other than a change in the country of registry that results in the registration of the Aircraft under the laws of the United States) the following conditions are met, or are waived by the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders: (i) no Lease Event of Default shall have occurred and be continuing at the date of such request or at the effective date of the change in registration; (ii) the Indenture Trustee shall have received from counsel to the Lessee reasonably satisfactory to the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders an opinion to the effect that: (A) after giving effect to such change in registration, all filing, recording or other action necessary to protect the security interest of the Indenture in the jurisdiction in which the Aircraft is being registered has been accomplished (or if such opinion cannot be given at the time by which the Indenture Trustee has been requested to consent to a change in registration, (x) the opinion shall detail what filing, recording or other action is necessary and (y) the Indenture Trustee shall have received a certificate from the Lessee that all possible preparations to accomplish such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Indenture Trustee on or prior to the effective date of such change

in registration); and (B) the terms of any relevant sublease, the Lease, the Participation Agreement and the Indenture being legal, valid and binding and enforceable in such jurisdiction (subject to customary exceptions) to substantially the same extent as such documents are at the time enforceable in the United States; (iii) the Owner Participant Guaranty will remain in full force and effect after such change in registration; (iv) the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders shall have received assurances reasonably satisfactory to it that the insurance provisions of the Lease will have been complied with after giving effect to such change in registration; (v) such re-registration will not result in the imposition by such country of any Taxes on the Loan Participants for which the Lessee is not required to indemnify the Loan Participants unless the Lessee agrees to indemnify the Loan Participants for any Taxes imposed by such country in connection with or relating to the transactions contemplated by the Operative Documents that would not have been imposed but for such re-registration; (vi) any import or export permits necessary to take the Aircraft into or out of such country of registry shall have been obtained; (vii) the Indenture Trustee shall have received assurances reasonably satisfactory to the Indenture Trustee acting under the direction of a Majority of Interest of Certificate Holders that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have made assurances reasonably satisfactory to the Indenture Trustee acting under the direction of a Majority of Interest of Certificate Holders that all payments to be made by or on behalf of the Lessee under the Operative Documents and by any sublessee under the relevant sublease will be paid in U.S. Dollars); and (viii) the Lessee shall have paid or made provision for the payment of all expenses of the Indenture Trustee and the Loan Participants in connection with such change in registration.

(o) The Indenture Trustee hereby agrees to give the Lessee notice (the "Notice") not later than the date that is five Business Days prior to January 1 of each year in which the Indenture shall be in effect, commencing on December 24, 1992, whether (x) there are any undistributed funds held in either the Trust Estate or the Indenture Estate, except such funds as shall be invested in those types of obligations or evidences of debt as are described in Section 48-6-22(1), O.C.G.A., i.e., obligations or evidences of debt of the United States, including obli-

gations of the United States government agencies and corporations established by acts of the Congress of the United States, and obligations or evidences of debt of the State of Georgia or its political subdivisions or public institutions, including industrial development revenue bonds issued pursuant to the laws of the State of Georgia, (y) there are receivables then due and owing to the Indenture Estate and unpaid, or (z) the Indenture Estate or the Indenture Trustee holds legal title to any intangible personal property not expressly contemplated by the Operative Documents other than intangible personal property which is exempt from taxation under the provisions of Section 48-6-22, O.C.G.A., and, if the Notice would on any date thereafter and prior to such January 1 be untrue, immediately to so notify the Lessee.

(p) Each Loan Participant shall have the right to sell, assign, pledge or otherwise transfer all or any portion of any Certificate or the indebtedness evidenced thereby to any Person, provided that under no circumstances shall any such sale, assignment, pledge or transfer (other than a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture) be made unless (i) such Person is a Permitted Transferee, (ii) such sale, assignment, pledge or transfer is made in accordance with all applicable laws, (iii) such Loan Participant and such Permitted Transferee shall have executed and delivered a transfer agreement in the form attached as Exhibit XII hereto and (iv) such sale, assignment, pledge or transfer shall be made under circumstances that do not require registration under such Securities Act or qualification of an indenture under such Trust Indenture Act.

(q) Each Loan Participant shall have the right to grant participations (including, without limitation, "risk participations") in or to all or a portion of its rights and obligations in respect of the Certificates and any amounts from time to time payable to it in respect thereof to any Person, provided that (A) such participation is made in accordance with all applicable laws to a Person that is a Permitted Transferee, (B) such Loan Participant's obligations under the Operative Documents shall remain unchanged, including, without limitation, under Section 2.13 of the Trust Indenture, (C) such Loan Participant shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations, (D) such Loan Participant

shall remain the Holder of its Loan Certificates, and the other parties to the Operative Documents shall continue to deal solely and directly with such Loan Participant in connection with its Loan Certificates and the Loan Participant's rights and obligations under the Operative Documents and (E) such participation shall be made under circumstances that do not require registration under the Securities Act or qualification of an indenture under the Trust Indenture Act. The liability of the Owner Trustee in respect of increased costs, Break Amount and taxes under Section 2.17 or 2.18 of the Trust Indenture, and the liability of the Lessee under Section 7(c) hereof in respect of amounts payable directly to the Loan Participants, shall not, as a result of any participation granted by any Loan Participant, exceed what would have been its liability thereunder if such Loan Participant had not granted any such participation. Each Loan Participant may, in connection with any participation or proposed participation pursuant to this Section 9(q), disclose to the participant or proposed participant any information relating to the Operative Documents or to the parties thereto furnished to such Loan Participant thereunder or in connection therewith and permitted to be disclosed by such Loan Participant; provided, however, that prior to any such disclosure, the participant or proposed participant shall agree in writing for the benefit of the Owner Participant and the Lessee to preserve the confidentiality of any confidential information included therein, but only with respect to the insurance information referred to in Section 11(a), (b) and (c) of the Lease.

(r) NationsBank of Georgia, National Association, hereby agrees that it will perform all of its administrative duties under this Agreement and the other Operative Documents (whether in its individual capacity or as Indenture Trustee) solely in the State of Georgia, except to the extent necessary to exercise any of its rights or remedies to the extent permitted by applicable laws in connection with an Indenture Event of Default, an Indenture Default, an Event of Default or an event that with notice or lapse of time or both would become an Event of Default.

SECTION 10. Other Documents. The Owner Participant agrees to comply with all of the terms of the Trust Agreement (as the same may hereafter be amended from time to time in accordance with the terms thereof) ap-

plicable to it and with Sections 7, 9, 11, 12 and 15 of the Lease.

SECTION 11. Conditions Precedent to the Lessee's Obligations.

(a) The Lessee's obligation to sell the Aircraft to the Owner Trustee and to lease the Aircraft on the Delivery Date is subject to the fulfillment to the satisfaction of the Lessee prior to or on the Delivery Date of the following conditions precedent, which fulfillment to the satisfaction of the Lessee shall be evidenced by acceptance of the Aircraft by the Lessee under the Lease:

(i) the documents referred to in clauses (i) through (xi) of Section 4(E) shall have been duly authorized, executed and delivered by the respective party or parties thereto (other than the Lessee), shall be in full force and effect and copies thereof shall have been delivered to the Lessee, and the Lessee shall have received such documents and evidence with respect to the Owner Participant, the Owner Trustee and the Indenture Trustee as the Lessee may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement, the taking of all corporate and other proceedings in connection therewith and compliance with the conditions herein or therein set forth;

(ii) the Owner Trustee shall have whatever title was conveyed to it by the Lessee pursuant to the Bills of Sale (subject to filing and recording of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens, except Liens permitted by the terms of the Lease, the lien of, and security interest created by, the Trust Indenture and the beneficial interest of the Owner Participant created by the Trust Agreement and the Trust Agreement and Indenture Supplement covering the Aircraft, the rights of the Owner Trustee as registered owner with the Federal Aviation Administration and the rights of the Lessee under the Lease and the Lease Supplement covering the Aircraft;

(iii) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement

covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft shall have been duly filed for recordation (or shall be in the process of being so duly filed for recordation) with the Federal Aviation Administration pursuant to the Federal Aviation Act;

(iv) an application for registration of the Aircraft in the name of the Owner Trustee shall have been duly made with the Federal Aviation Administration and the Lessee shall have authority to operate the Aircraft;

(v) on the Delivery Date the representations and warranties of the Original Loan Participant, the Owner Participant and the Owner Trustee contained in Section 8 hereof and the representations and warranties of the Owner Trustee contained in Section 4 of the Lease shall be correct as though made on and as of such date, or if such representations and warranties relate solely to an earlier date, as of such earlier date, and each of such parties shall have so certified to the Lessee;

(vi) the Lessee shall have received each opinion referred to in paragraphs (K) through (O) of Section 4 (other than the opinion of White & Case, referred to in clause (M)(y) of Section 4), each such opinion addressed to the Lessee or accompanied by a letter from the counsel rendering such opinion authorizing the Lessee to rely on such opinion as if it were addressed to the Lessee, and the certificates referred to in paragraphs (Q), (R) and (S) of Section 4;

(vii) in the event of a Change in Tax Law which has occurred since the date of execution hereof, any proposed adjustment to the payments of Basic Rent pursuant to Section 3(e) of the Lease and Section 18 hereof shall not have resulted in an increase in the present value of all payments of Basic Rent which in the Lessee's sole judgment shall have caused the transaction to be uneconomic; and

(viii) no change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appro-

priate regulatory authorities or any court that would make it illegal for the Lessee to enter into any transaction contemplated by the Operative Documents.

Notwithstanding any of the foregoing, the Lessee's performance under this Agreement shall not be subject to the satisfaction of any condition within its control or any condition which may have been satisfied by the performance of the Lessee hereunder.

(b) In the event that (i) the foregoing conditions precedent shall not have been fulfilled on or prior to the Delivery Date (or waived by the Lessee) as provided above, or (ii) either the Owner Participant or the Original Loan Participant shall not have delivered its Commitment to the Owner Trustee on the Delivery Date notwithstanding the satisfaction of the conditions (other than those within the control of the Owner Participant or the Original Loan Participant, as applicable) set forth in Section 4 hereof, if the Lessee so elects, this Agreement, the Lease, the Tax Indemnity Agreement and the Purchase Agreement Assignment shall thereupon terminate and be of no further force and effect, except to the extent otherwise provided herein or therein. Promptly following the termination of this Agreement, the Lessee shall notify the other parties hereto in writing of such termination.

SECTION 12. Liabilities of the Owner Participant and the Loan Participants. Neither the Owner Participant nor any Loan Participant shall have any obligation or duty to the Lessee with respect to the transactions contemplated hereby except those obligations or duties expressly set forth in this Agreement or, in the case of the Owner Participant, the Tax Indemnity Agreement. Without limiting the generality of the foregoing, under no circumstances whatsoever shall the Owner Participant, as such, or any Loan Participant, as such, be liable to the Lessee for any action or inaction on the part of the Owner Trustee or the Indenture Trustee in connection with the Trust Indenture, the Trust Agreement, the Lease, the Aircraft, the administration of the Trust Estate or the Indenture Estate or otherwise, whether or not such action or inaction is caused by the willful misconduct or gross negligence of the Owner Trustee or the Indenture Trustee unless such action or inaction is at the direction of the Owner Participant (in the case of action or inaction on the part of the Owner Trustee) or the Loan

Participants (in the case of action or inaction on the part of the Indenture Trustee).

SECTION 13. Certain Covenants of the Lessee. The Lessee covenants and agrees with the Owner Participant, each Loan Participant, the Indenture Trustee and the Owner Trustee as follows:

(A) Upon the delivery and acceptance of the Aircraft under the Lease, the Lessee will cause to be done, executed, acknowledged and delivered all and every such further acts, conveyances and assurances as the Owner Trustee, the Owner Participant, the Original Loan Participant or the Indenture Trustee shall require for accomplishing the purposes of this Agreement and the other Operative Documents. The Lessee forthwith upon delivery of the Aircraft under the Lease shall cause the Aircraft to be duly registered and at all times thereafter to remain duly registered, in the name of the Owner Trustee, except as otherwise required or permitted hereunder or under the Lease, under the Federal Aviation Act, or shall furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to make application for such registration, and shall promptly furnish to the Owner Trustee such information as may be required to enable the Owner Trustee to timely file any reports required to be filed by it as the Lessor under the Lease or as the owner of the Aircraft with any governmental authority because of the Owner Trustee's ownership of the Aircraft.

(B) The Lessee will cause the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft to be promptly filed and recorded, or filed for recording, to the extent permitted under the Federal Aviation Act, and the rules and regulations of the Federal Aviation Administration thereunder, or required under any other applicable law. Upon the execution and delivery of the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale, the FAA Bill of Sale, the Lease and the Lease Supplement covering the Aircraft, the Trust Agreement, the Trust Indenture and the Trust Agreement and

Indenture Supplement covering the Aircraft shall be filed for recording with the Federal Aviation Administration in the following order of priority: first, the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, second, the Lease, to be effected by so filing the Lease with such Lease Supplement, the Trust Indenture and such Trust Agreement and Indenture Supplement attached thereto, and third, the Trust Indenture, to be effected by so filing the Trust Indenture with the Trust Agreement and such Trust Agreement and Indenture Supplement attached thereto. The Lessee shall, upon request from any of the parties hereto, provide photocopies of the file-stamped copies of all documents filed or recorded with the FAA.

(C) The Lessee will furnish to the Owner Trustee and the Indenture Trustee annually after the execution hereof (but not later than March 15th of each year), commencing with the year 1993, an opinion of Crowe & Dunlevy, P.C., or other counsel reasonably acceptable to the Owner Trustee and the Indenture Trustee, stating either:

(i) that in the opinion of such counsel such action has been taken with respect to the recording, filing, re-recording and refiling of the Lease, the Trust Indenture, the Trust Agreement and any supplements thereto, including any financing or continuation statements, and such other filings and recordings as are necessary to maintain, for the 15-month period succeeding the date of such opinion, the rights and interests of the Owner Trustee in and to the Aircraft, and, with respect to the Trust Indenture, the perfection of the security interests created thereby and reciting the details of such action; or

(ii) that in the opinion of such counsel no such action is necessary to maintain, for the 15-month period succeeding the date of such opinion, the perfection of such rights and interests and security interests.

(D) The Lessee shall at all times maintain its corporate existence except as permitted by Sec-

tion 13(E) hereof. The Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its rights (charter and statutory) and franchises; provided, however, that the Lessee shall not be required to preserve any right or franchise if its Board of Directors shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Lessee. The Lessee shall, for so long as and to the extent required under Section 1110 of the Bankruptcy Code in order that the Owner Trustee and the Indenture Trustee be entitled to the benefits of Section 1110 of the Bankruptcy Code with respect to the right to repossess the Airframe, Engines and Parts as provided in the Lease, remain an "air carrier" within the meaning of Section 101(16) of the Federal Aviation Act.

(E) The Lessee shall not consolidate with or merge into any other corporation or convey, transfer or lease substantially all of its assets as an entirety to any Person, unless:

(i) the corporation formed by such consolidation or into which the Lessee is merged or the Person which acquires by conveyance, transfer or lease substantially all of the assets of the Lessee as an entirety shall be a corporation organized and existing under the laws of the United States of America or any State or the District of Columbia, shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, and shall execute and deliver to the Owner Trustee, the Owner Participant, and the Indenture Trustee an agreement in form reasonably satisfactory to each thereof containing the assumption by such successor corporation of the due and punctual performance and observance of each covenant and condition of this Agreement, the Lease, the Purchase Agreement Assignment and the Tax Indemnity Agreement to be performed or observed by the Lessee;

(ii) immediately after giving effect to such transaction, no Event of Default under the Lease, and no event which, after notice or lapse of time, or both, would become such an Event of

Default, shall have occurred and be continuing; and

(iii) the Lessee shall have delivered to the Owner Trustee, the Owner Participant and the Indenture Trustee a certificate signed by a Responsible Officer of the Lessee, and an opinion of counsel to the Lessee (which may be Lessee's General Counsel), each stating that such consolidation, merger, conveyance, transfer or lease and the assumption agreement mentioned in clause (i) comply with this Section 13(E) and that all conditions precedent herein provided for relating to such transaction have been complied with (except that such opinion need not cover the matters referred to in clause (ii) above and may rely, as to factual matters, on a certificate of an officer of the Lessee) and, in the case of such opinion, that such assumption agreement has been duly authorized, executed and delivered by such successor corporation and is enforceable against such successor corporation in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity.

Upon any consolidation or merger, or any conveyance, transfer or lease of substantially all of the assets of the Lessee as an entirety in accordance with this Section 13(E), the successor corporation formed by such consolidation or into which the Lessee is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Lessee under this Agreement and the other Operative Documents with the same effect as if such successor corporation had been named as the Lessee herein. No such conveyance, transfer or lease of substantially all of the assets of the Lessee as an entirety shall have the effect of releasing the Lessee or any successor corporation which shall theretofore have become such in the manner prescribed in this Section 13(E) from its liability hereunder. Nothing contained herein shall permit any lease, sublease or other arrangement for the use, operation or posses-

sion of the Aircraft except in compliance with the applicable provisions of the Lease.

SECTION 14. Owner for Tax Purposes. The Lessee, the Owner Trustee and the Owner Participant hereby agree that for Federal income tax purposes during the Term the Owner Participant will be the owner of the Aircraft and the Lessee will be the lessee thereof. Nothing contained in this Section 14 shall be construed to limit Lessee's use and operation of the Aircraft under the Lease or constitute a representation by the Lessee as to tax consequences.

SECTION 15. Certain Definitions; Notices. (a) The following terms, when used in capitalized form, have the following meanings (and such meanings shall be equally applicable to both the singular and the plural forms of the terms herein defined):

"Affiliated Group" means an affiliated group of corporations, within the meaning of Section 1504 of the Code, filing or that will file a consolidated Federal income tax return.

"After-Tax Basis" means, with respect to any payment received or accrued by any Person, the amount of such payment supplemented by a further payment or payments (which shall be payable either simultaneously or, in the event that Taxes resulting from the receipt or accrual of such payment are not payable in the year of receipt or accrual, at the time or times such Taxes become payable) so that the sum of all such payments, after deduction of all Taxes (after taking into account any credits or deductions or other Tax benefits arising therefrom and from the underlying payment, to the extent such are currently utilized) resulting from the receipt or accrual of such payments (whether or not such Taxes are payable in the year of receipt or accrual) imposed by any Taxing Authority, shall be equal to the payment received or accrued.

"American" shall have the meaning set forth in the first paragraph hereof.

"Bankruptcy Code" shall have the meaning set forth in the Trust Indenture.

"Bills of Sale" shall have the meaning set forth in Section 4(E)(x) hereof.

"Claim" shall have the meaning set forth in Section 7(b) hereof.

"Commitment" shall have the meaning set forth in Section 1 hereof.

"Debt Rate" shall have the meaning set forth in the Trust Indenture.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Excess Payment Amount" shall have the meaning set forth in Section 16(a) hereof.

"Excess Payment Differential Amount" shall have the meaning set forth in Section 16(a) hereof.

"FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(ix) hereof.

"Foreign Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Indemnitee" shall have the meaning set forth in Section 7(b) hereof.

"Indenture" or "Trust Indenture" shall have the meaning set forth in the recitals hereof.

"Indenture Default" shall have the meaning set forth in the Trust Indenture.

"Indenture Trustee" shall have the meaning set forth in the first paragraph hereof.

"Interest Payment Date" shall have the meaning set forth in the Trust Indenture.

"Interest Period" shall have the meaning set forth in the Trust Indenture.

"Lease" shall have the meaning set forth in the recitals hereof.

"Lessee" shall have the meaning set forth in the first paragraph hereof.

"LIBOR Loan" shall have the meaning set forth in the Trust Indenture.

"LIBOR Rate" shall have the meaning set forth in the Trust Indenture.

"London Business Day" shall mean any day in which normal dealings in dollar deposits in the London interbank market are carried on.

"Loss" shall have the meaning set forth in the Tax Indemnity Agreement.

"Majority in Interest of Certificate Holders" shall have the meaning set forth in the Trust Indenture.

"Manufacturer's FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(viii) hereof.

"Manufacturer's Subsidiary" shall have the meaning set forth in the recitals hereof.

"Manufacturer's Subsidiary's FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(viii) hereof.

"New York Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York.

"Operative Documents" means this Agreement, the Lease, the Lease Supplement, the Trust Indenture, the Purchase Agreement Assignment, the Tax Indemnity Agreement, the Trust Agreement and the Trust Agreement and Indenture Supplement.

"Original After-Tax Yield" shall mean the after-tax economic yield expected by the original Owner Participant with respect to its investment in the Aircraft, utilizing the multiple investment sinking fund method of analysis.

"Owner Participant" shall have the meaning set forth in the first paragraph hereof.

"Owner Participant's Net Economic Return" shall mean (i) the Original After-Tax Yield and (ii) total aggregate after-tax cash flow expected by the original Owner Participant with respect to the Aircraft, in each case utilizing the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement and the assumption that the Certificates will bear interest at the Assumed Debt Rate throughout the Term and that principal will be payable on the Certificates according to Exhibit D to the Rent Schedule as of the Delivery Date) in determining the Basic Rent, Stipulated Loss Value and Termination Value percentages as of the Delivery Date, as such assumptions may be adjusted from time to time to take into account the impact of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages for Basic Rent, Stipulated Loss Value or Termination Value.

"Owner Participant's Revised Net Economic Return" shall mean (i) the Original After-Tax Yield and (ii) total aggregate after-tax cash flow expected by the original Owner Participant with respect to the Aircraft, in each case utilizing the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 2 of the Tax Indemnity Agreement and the assumption that the Certificates will bear interest at the Assumed Debt Rate throughout the Term and that principal will be payable on the Certificates according to an optimized amortization schedule throughout the Term) in determining the alternate Basic Rent, Stipulated Loss Value and Termination Value schedules with respect to the Term that have been furnished to the Lessee and placed in escrow with Sidley & Austin in accordance with Section 18(d), as such assumptions may be adjusted from time to time to take into account the impact of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages for Basic Rent, Stipulated Loss Value or Termination Value.

"Owner Trustee" shall have the meaning set forth in the first paragraph hereof.

"Permitted Transferee" shall mean any Person that:

- (a) is not a commercial air carrier; and
- (b) is a foreign or domestic bank or lending institution with a combined capital and surplus of at least \$75,000,000, or is a foreign or domestic corporation or partnership with net worth of at least \$75,000,000, exclusive of goodwill, all of the foregoing determined in accordance with generally accepted accounting principles; and
- (c) that can and does represent and agree in a writing addressed to, and for the benefit of, the Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee, in form and substance reasonably satisfactory to the Lessee and the Owner Participant, that:
  - (i) it is acquiring its Loan Certificate or participation, as the case may be, for its own account for investment and not with a view to any resale or distribution thereof (other than in compliance with Section 9(p) of the Participation Agreement and the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, and any other applicable laws relating to the transfer of similar interests); and
  - (ii) either (x) no part of the funds to be used to purchase or fund such Loan Certificate or participation is or will be assets (within the meaning of ERISA and any applicable rules and regulations) of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or any "plan" (as defined in Section 4975(e) of the Code) or (y) that such acquisition will not cause the Lessee or the Owner Participant, as the case may be, to engage in a prohibited

transaction under Section 406 or 407 of ERISA or Section 4975 of the Code; and

(d) acquires a Loan Certificate, or a participation in a Loan Certificate, having an original principal amount of at least \$5,000,000 and, solely in the case of the acquisition of a Loan Certificate, has appointed the Original Loan Participant to act as its agent in connection with the Operative Documents.

"Related Indemnitee Group" shall have the meaning set forth in Section 7(b) hereof.

"Short Period Rate" shall have the meaning set forth in the Trust Indenture.

"Short Period Rate Loan" shall have the meaning set forth in the Trust Indenture.

"Special Purchase Price Yield" shall mean the after-tax economic yield expected by the original Owner Participant with respect to the Aircraft, utilizing the multiple investment sinking fund method of analysis and the same assumptions in determining the Special Purchase Price percentage payable in connection with the alternate rental schedules referred to in the definition of the Owner Participant's Revised Net Economic Return (such Special Purchase Price percentage having been furnished to the Lessee and such assumptions having been placed in escrow with Sidley & Austin in accordance with Section 18(d)).

"State or Local Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Tax" and "Taxes" shall have the meanings set forth in Section 7(c) hereof.

"Tax Indemnitee" shall have the meaning set forth in Section 7(c)(11) hereof.

"Taxing Authority" shall have the meaning set forth in Section 7(c) hereof.

"Transaction Costs" shall have the meaning set forth in Section 18(a) hereof.

"Transferee" shall have the meaning set forth in Section 16(c) hereof.

(b) Any other capitalized term not herein defined, when used herein in capitalized form, shall have the meaning attributed thereto in the Lease.

(c) Unless otherwise specifically provided herein, all notices required under the terms and provisions of this Agreement shall be in English and in writing, and any such notice may be given by United States registered or certified mail, postage prepaid, courier service, telegram, telex, telecopy, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered to any party to this Agreement to its address or telex number set forth below the signature of such party at the foot of this Agreement, or to such other address or telex or facsimile number as such party may hereafter specify for such purpose by notice to the other parties hereto.

SECTION 16. Certain Covenants of the Owner Participant. (a)

The Owner Participant hereby agrees to notify the Lessee or cause the Lessee to be notified by telephone, telecopier or telegram not later than 1:00 p.m. New York City time, on the third Business Day prior to the Base Lease Commencement Date stating whether or not the Owner Participant intends to pay an amount equal to \$2,415,000.00 (the "Excess Payment Amount", subject to adjustment pursuant to the following paragraph) in full by 1:00 p.m., New York City time, on the Base Lease Commencement Date. The Owner Participant shall also have the right to reimburse the Lessee at any time for all or any portion of the Reimbursement Amount for which the Lessee has not received an offset pursuant to Section 3(f) of the Lease.

Although the amount of the Excess Payment Amount has been computed on the assumption that each Certificate will bear interest at the Assumed Debt Rate for such Certificate throughout the Interim Period, the Owner Participant and the Lessee recognize that the actual rate of interest on each Certificate may be a rate from time to time which may be greater or less than the Assumed Debt Rate for such Certificate and that the related basis upon

which interest on the Certificates will be computed will be as provided in the Trust Indenture. Accordingly, the Excess Payment Amount shall be increased or decreased (but not below zero), as the case may be, by an amount (the "Excess Payment Differential Amount") equal to, as of the Base Lease Commencement Date, the difference between (i) the aggregate amount of interest actually due and payable on the Base Lease Commencement Date on the Certificates for the period from and including the Delivery Date to but excluding the Base Lease Commencement Date, determined as provided in the Trust Indenture, and (ii) the aggregate amount of interest on the Loan Certificates that would have been due and payable on the Base Lease Commencement Date if the outstanding principal amount of such Loan Certificates had borne interest at the Assumed Debt Rate for the period from and including the Delivery Date to but excluding the Base Lease Commencement Date. If, as of the Base Lease Commencement Date, the amount determined in accordance with clause (i) of the immediately preceding sentence shall be greater than the amount determined in accordance with clause (ii) of such sentence, the Excess Payment Amount shall be increased by the Excess Payment Differential Amount. If, as of the Base Lease Commencement Date, the amount determined in accordance with such clause (ii) shall be greater than the amount determined in accordance with such clause (i), the Excess Payment Amount shall be decreased by the Excess Payment Differential Amount. The interest actually accruing with respect to the Certificates shall be as specified by the notification to be delivered by the Original Loan Participant (whether or not it at the time holds any Loan Certificates) to each of the Owner Participant, the Owner Trustee, each other Loan Participant, the Indenture Trustee and the Lessee as provided in Section 1(c) hereof.

(b) The Owner Participant hereby unconditionally agrees with and for the benefit of the other parties to this Agreement that the Owner Participant will not directly or indirectly create, incur, assume or suffer to exist any Lessor's Liens on or against any part of the Trust Estate or the Aircraft arising out of any act or omission of or claim against the Owner Participant, and the Owner Participant agrees that it will, at its own cost and expense, take such action as may be necessary to duly discharge and satisfy in full any such Lessor's Lien (by bonding or otherwise, so long as Lessee's operation and use of the Aircraft is not impaired and the lien of the Indenture is not impaired). The Owner Participant hereby

agrees to indemnify and hold harmless the Lessee, the Indenture Trustee and each Loan Participant against any loss, cost or expense (including reasonable legal fees and expenses) which may be suffered or incurred by any of them as the result of the failure of the Owner Participant to discharge and satisfy any such Lessor's Lien. In addition, the Owner Participant agrees to indemnify, protect, save and keep harmless each Loan Participant from and against any reduction in the amount payable out of the Indenture Estate to such Loan Participant in respect of the Certificates held by such Loan Participant or any other loss, cost or expenses (including reasonable legal fees and expenses) incurred by such Loan Participant, as a result of the imposition or enforcement of, or the Owner Participant's failure to satisfy, any Lessor's Lien or claim against the Indenture Estate by any taxing authority because of the nonpayment by the Owner Participant of any Taxes imposed on or measured by the net income or revenues of the Owner Participant that are not required to be indemnified against by the Lessee.

(c) The Owner Participant shall not directly or indirectly assign, convey or otherwise transfer any of its right, title or interest in and to all or any part of this Agreement, the Tax Indemnity Agreement, the Trust Agreement, the Trust Estate, the Indenture Estate, the Purchase Agreement Assignment, the Purchase Agreement or any of the other Operative Documents except that the Owner Participant may assign, convey or otherwise transfer all (but not less than all) thereof if:

(i) (A) the Person to whom such transfer is made (the "Transferee") is a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act (without the utilization of a voting trust agreement, voting powers agreement or similar arrangement by the Transferee or any Affiliate thereof unless the Owner Participant obtains the consent of the Lessee, which consent shall not be unreasonably withheld), and has the requisite power, authority and legal right to enter into and carry out the transactions contemplated hereby; (B) such conveyance does not violate any provisions of the Federal Aviation Act, the Securities Act of 1933, as amended (and no registration pursuant to such Act or the rules and regulations thereunder shall be required in connection with such conveyance), or any other applicable law, or create a relationship which

would be in violation thereof, or result in a "prohibited transaction" under ERISA or the Code; (C) the Transferee enters into an agreement or agreements, in form and substance reasonably satisfactory to the Lessee, the Owner Trustee and the Indenture Trustee (the "Assumption Agreement") for the benefit of the Lessee, the Owner Trustee and the Indenture Trustee, whereby the Transferee confirms that it shall be deemed a party to this Participation Agreement, the Trust Agreement, the Tax Indemnity Agreement and each other Operative Document to which the Owner Participant is a party, and the party named as the "Owner Participant" in the Trust Agreement, the Lease and the Trust Indenture and agrees to be bound by all of the terms of, and to undertake all of the obligations of the Owner Participant contained in, this Agreement, the Trust Agreement, the Tax Indemnity Agreement and each other Operative Document to which the Owner Participant is a party or by which the Owner Participant is bound, and in which the Transferee shall make representations and warranties substantially equivalent to those of the Owner Participant contained herein and, in the event such Transferee is a partnership, such additional documents and/or amendments to the Operative Documents (in form and substance reasonably satisfactory to the Lessee, the Owner Trustee and the Indenture Trustee) as the Lessee, the Owner Trustee or the Indenture Trustee may reasonably request; (D) after giving effect to such assignment, conveyance or transfer, there would be no more than one Owner Participant with respect to the Aircraft; (E) the Owner Participant shall deliver to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee an opinion of counsel (which shall be the general counsel of the Transferee or other counsel reasonably satisfactory to the Lessee and the Indenture Trustee), that the Assumption Agreement has been duly authorized, executed and delivered by the Transferee and is enforceable against such Transferee in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally or by general principles of equity; (F) the Owner Participant shall deliver to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee one or more

certificates of a duly authorized officer of the transferor and if necessary transferee Owner Participant concerning, when taken together, all of the matters contained in clauses (A) and (D) of this paragraph (i) and (except in connection with any such assignment, transfer or conveyance to a direct or indirect wholly-owned subsidiary of American Telephone and Telegraph Company) an opinion delivered by counsel of the type referred to in clause (E) to the effect that such transfer complies with the provisions of clauses (A) (except as to citizenship), (B) and (D) of this paragraph (i); and (G) the transferor and/or transferee Owner Participant assumes by an instrument in form and substance reasonably satisfactory to the Lessee and the Indenture Trustee the risk of any adverse tax consequences to any Tax Indemnitee resulting from such conveyance; and

(ii) either (A) the Transferee is a bank or lending institution with a combined capital and surplus of at least \$75,000,000, or is a corporation or domestic partnership with net worth of at least \$75,000,000, exclusive of goodwill, all of the foregoing determined in accordance with generally accepted accounting principles (hereinafter referred to as a "Qualifying Institution"), or (B) if the Transferee is not itself a Qualifying Institution, a parent corporation of the Transferee which qualifies as a Qualifying Institution shall have executed and delivered to the Owner Trustee, the Indenture Trustee (unless the lien of the Trust Indenture is discharged) and the Lessee an absolute and unconditional guaranty, in form and substance satisfactory to the Lessee and the Indenture Trustee, with respect to the obligations of the Transferee as the Owner Participant assumed by the Transferee under the Assumption Agreement referred to above, and the Transferee shall deliver to the Indenture Trustee (unless the lien of the Trust Indenture is discharged), the Owner Trustee and the Lessee an opinion of counsel (which shall be the general counsel of the Qualifying Institution providing such guaranty or other counsel reasonably satisfactory to the Lessee and the Indenture Trustee) that such guaranty is enforceable against the guarantor in accordance with its terms.

In the event that the Owner Participant is neither American Telephone and Telegraph Company, AT&T

Credit Corporation nor any other Affiliate of American Telephone and Telegraph Company, any transfer by direct sale, consolidation, merger or otherwise of 50% or more of the capital stock of the Owner Participant (including, for this purpose, any such transfer of the capital stock of any one of its direct or indirect parent companies or other parent entities, other than its ultimate parent entity) (any such transfer being referred to as a "Change in Control") shall be deemed to be a conveyance by such Owner Participant of its interests in the transactions contemplated by this Agreement subject to this Section 16(c), and accordingly no such Change in Control shall take place without the Lessee's consent unless it satisfies the terms and conditions set forth in this Section 16(c), including without limitation those set forth in paragraphs (i) and (ii) above; provided that no such transfer of the capital stock of an Owner Participant that is American Telephone and Telegraph Company, AT&T Credit Corporation or any other Affiliate of American Telephone and Telegraph Company (or any of the direct or indirect parent companies or other parent entities of any thereof) shall be prohibited by or subject to the terms of this Section 16(c). Notwithstanding the foregoing sentence, if (x) the obligations of such Owner Participant were guaranteed at the time such Owner Participant became the Owner Participant hereunder by a parent entity that was at such time a Qualifying Institution (the "Parent Guarantor"), and (y) following a Change in Control, the Transferee remains both a member of the controlled or consolidated group of companies of which the Parent Guarantor is a part and a subsidiary of the Parent Guarantor, such Transferee shall comply with the conditions set forth in paragraph (i) above, but shall not be required to satisfy the conditions set forth in paragraph (ii) above; provided that such guaranty of the Parent Guarantor is amended to remain in full force and effect in respect of the Transferee and the Transferee delivers to the Indenture Trustee (unless the lien of the Trust Indenture is discharged), the Owner Trustee and the Lessee an opinion of counsel (which shall be the general counsel of the Parent Guarantor or other counsel reasonably satisfactory to the Lessee) in form and substance satisfactory to the Lessee and the Owner Trustee as to the continued legality, validity and enforceability of such guaranty.

Notwithstanding the foregoing, so long as the Lease is in effect, there shall not be more than five transfers (not including any transfer to any Affiliate of

American Telephone and Telegraph Company) by the Owner Participant (including its successors and permitted assigns) pursuant to this Section 16(c) without the prior written consent of the Lessee, such consent not to be unreasonably withheld. Any fees, charges and expenses incurred by the Owner Trustee, the Indenture Trustee or the Lessee in connection with any transfer pursuant to this Section 16(c), including, without limitation the out-of-pocket expenses of the Lessee and reasonable legal fees and expenses, will be paid by the transferring Owner Participant and in no case will the Lessee be responsible for any such fees, charges or expenses. Without the consent of the Lessee, no transfer shall be permitted pursuant to this Section 16(c) to a Transferee that is (i) an airline or other commercial operator of aircraft that is a competitor of the Lessee or any of its Affiliates or (ii) a corporation or other entity that is an Affiliate of any such airline or other commercial operator of aircraft.

Upon any such conveyance by the Owner Participant to a Transferee permitted by this Section 16(c), the Transferee shall be deemed the "Owner Participant" for all purposes hereof (unless the context is inappropriate) and shall be deemed to have made all the investments in beneficial ownership of the Aircraft previously made by the Owner Participant in respect of the right, title and interest so conveyed; and each reference in this Agreement, the Trust Agreement, the Lease, the Tax Indemnity Agreement, the Trust Indenture and the other Operative Documents to the Owner Participant making the transfer shall thereafter be deemed a reference to the Transferee as the Owner Participant (unless the context is inappropriate). Upon any such conveyance by the Owner Participant to a Transferee permitted by the foregoing provisions of this Section 16(c), the transferor Owner Participant shall be relieved of all of its liabilities and obligations hereunder and under the Trust Agreement to the extent of the interest so transferred, provided that in no event will any such conveyance release the transferor Owner Participant from any liability to the extent caused by any breach existing at the time of such conveyance by the Owner Participant of any of its representations, warranties, covenants or obligations contained herein or in the Trust Agreement. If the Owner Participant proposes to transfer its interests pursuant to this Section 16(c), it shall give 20 days' (or, in the case of a transfer where the Transferee is an Affiliate of the Owner Par-

ticipant making the transfer, 10 days') prior written notice thereof to the Owner Trustee, the Indenture Trustee and the Lessee, specifying the name and address of the transferee and specifying the facts necessary to determine whether the conditions of this Section 16(c) have been or shall be satisfied.

SECTION 17. Optional Redemption of Certificates. (a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Certificates (the "Outstanding Certificates") (such term to include the Certificates originally issued under the Trust Indenture and any refunding indebtedness issued pursuant to this Section 17 or Section 20) pursuant to the Trust Indenture as part of a refunding or refinancing operation. Promptly on receipt of such request, the Owner Participant will negotiate promptly in good faith to conclude an agreement with the Lessee as to the terms of such refunding or refinancing operation and upon such agreement:

(i) the Lessee, the Owner Participant, the Indenture Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 17, the "Refunding Date") of United States Dollar-denominated debt securities in an aggregate principal amount equal to the sum of the principal amount of the Outstanding Certificates on the Refunding Date and, subject to clause (w) of Section 17(a)(ii), all interest accrued thereon to the Refunding Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Certificates on the Refunding Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Refunding Date is not a Lease Period Date, the Lessee shall on the Refunding Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Outstanding Certificates to the Refunding Date in the event that such interest is not financed through the issuance of debt securities on the Refunding Date (provided that if the Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant may, pursuant to Section 16(a) hereof on the Refunding Date prepay the Excess Payment Amount), (x) Basic Rent payable in respect of the period from and after the Refunding Date shall be recalculated to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to any Section 20 Refinancing, the Owner Participant's Revised Net Economic Return), (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Refunding Date shall be appropriately recalculated to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the Owner Participant's Revised Net Economic Return) and (z) the Special Purchase Price and the Special Purchase Option Date shall be recalculated as provided in Section 18;

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 17 in like manner as the Certificates issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will materially increase the liabilities of or impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that (w) there shall be no more than two such refundings or refinancings (not including the Section 20 Refinancing), (x) if within 15 days after receipt of a request from the Lessee to effect a refunding or refinancing pursuant to this Section 17, which request specifies the proposed structural terms and the amount thereof, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the refunding or refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the refunding or refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect such refunding or refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, a refinancing or refunding will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes, (y) no such refinancing or refunding shall require an increase in the amount of the Owner Participant's investment in the beneficial ownership of the Aircraft or shall cause the ratio of the newly issued debt to the Owner Participant's then outstanding investment in the Aircraft to be more than 4 to 1 and (z) except with respect to matters relating to taxes, no such refunding or refinancing will materially increase the liabilities of or impair the rights of the Owner Participant. In addition, if any such refunding or refinancing occurs after the Section 20 Refinancing, neither the refunding or refinancing, nor any related adjustment of Basic Rent, shall increase or decrease the periodic earnings (as defined in

Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board) of the Owner Participant for any calendar year in the period (if any) from the date of such refunding or refinancing to December 31, 1998 each by an amount greater than 10% of the amount of earnings expected for each such calendar year immediately prior to such refunding or refinancing.

(b) The Certificates, and any other debt instruments issued in connection with any refunding or refinancing operation permitted by this Section 17, shall not be subject to optional redemption by the Owner Trustee without the consent of the Lessee (except as provided in Section 2.13 of the Trust Indenture).

SECTION 18. Calculation of Adjustments to Basic Rent, Stipulated Loss Value, Termination Value, etc.; Confirmation and Verification. (a) Calculation of Adjustments. In the event that (A) the expenses paid by the Owner Participant pursuant to Section 9(a) hereof (except for any expenses paid or payable to any financial advisor to the Owner Participant) and such other expenses as the Lessee shall expressly agree in writing shall be deemed to be "Transaction Costs" (collectively, the "Transaction Costs") are less or more than 0.5% of Lessor's Cost, or (B) prior to the acceptance of the Aircraft on the Delivery Date: (1) there shall have occurred a Change in Tax Law and (2) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 hereof to decline to proceed with the transaction, or (C) a refinancing or refunding as contemplated by Section 17 hereof occurs (it being understood that if the Refunding Date occurs on or prior to the Base Lease Commencement Date, any recalculations pursuant to this clause (C) shall take into account any prepayment by the Owner Participant on such Refunding Date of the Excess Payment Amount pursuant to Section 16(a) hereof under clause (w) of Section 17(a)(ii) hereof or under clause (w) of Section 20(a)(ii) hereof), or (D) the Delivery Date is other than August 11, 1992, or (E) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (after adjustment for any Excess Payment Differential Amount) is other than \$2,415,000.00, then, in each case, the Owner Participant shall recalculate the payments of Basic Rent and Stipulated Loss Values, Termination Values and the

Excess Payment Amount with respect to the Term (i) to preserve the Owner Participant's Net Economic Return (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the Owner Participant's Revised Net Economic Return) and (ii) to minimize to the greatest extent possible, consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in the event of a refinancing or refunding referred to in clause (C) of the preceding sentence, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in a manner consistent with the procedures specified in the second sentence of Section 20(c). In performing any such recalculations, the Owner Participant shall utilize the same methods and assumptions originally used to calculate the payments of Basic Rent, Stipulated Loss Values, Termination Values and Special Purchase Price Percentage with respect to the Term (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the same methods and assumptions originally used by the original Owner Participant in the calculation of the alternate schedules referred to in the definition of the Owner Participant's Revised Net Economic Return and the Special Purchase Price Percentage and held in escrow by Sidley & Austin pursuant to Section 18(d)) (in each case as such assumptions may be changed as a result of the event described in clause (A), (B), (C) or (D) of the second preceding sentence necessitating such recalculation or due to the prior occurrence of any such event or the prior occurrence of the Section 20 Refinancing); provided that, Basic Rent, as so recomputed, shall comply with the requirements of Sections 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

(b) Confirmation and Verification. Upon completion of any recalculation described above in Section 18(a), a duly authorized officer of the Owner Participant shall provide a certificate to the Lessee either (x) stating that the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage as are

then applicable do not require change, or (y) setting forth such adjustments to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage as have been calculated by the Owner Participant in accordance with Section 18(a) above and Section 3(e) of the Lease. Such certificate shall describe in reasonable detail the basis for any such adjustments. If the Lessee shall so request, the recalculation of any such adjustments described in this Section 18 shall be verified by a nationally recognized firm of independent public accountants jointly selected by the Lessee and the Owner Participant (provided that such firm of independent public accountants shall not be regularly retained by either the Lessee or the Owner Participant). A representative of such firm shall be shown, on a confidential basis, the original assumptions used by the Owner Participant and held in escrow by Sidley & Austin pursuant to Section 18(d) and the methods used by the Owner Participant in the original calculation of, and any recalculation of, Basic Rent, Stipulated Loss Values and Termination Values and, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage (or, in the case of any recalculation hereunder subsequent to the Section 20 Refinancing, the same methods and assumptions originally used by the original Owner Participant in the calculation of the alternate schedules referred to in the definition of the Owner Participant's Revised Net Economic Return and the Special Purchase Price Percentage held in escrow by Sidley & Austin pursuant to Section 18(d)). The reasonable costs of such verification shall be borne by the Lessee, unless as a result of such verification process the payments of Basic Rent are adjusted and such adjustment causes (i) the present value of the payments of Basic Rent, discounted semi-annually at the Assumed Debt Rate, to decline by five basis points or more from the present value of the payments of Basic Rent, discounted semi-annually at the Assumed Debt Rate, certified by the Owner Participant pursuant to this Section 18(b) or (ii) any Stipulated Loss Value or Termination Value percentage or, in the case of the second sentence of Section 18(a), the Special Purchase Price Percentage, to be significantly below that certified by the Owner Participant pursuant to this Section 18(b), in which case the Owner Participant shall be responsible for the reasonable costs of such verification. In connection with any adjustment pursuant to this Section 18 or Section 20, the

Owner Participant, the Lessee, the Owner Trustee and the Indenture Trustee shall enter into an appropriately revised Rent Schedule.

(c) Payment of Debt Service. No adjustment may be made to the payments of Basic Rent or to Stipulated Loss Values or Termination Values with respect to the Term, unless (i) each installment of Basic Rent (or, in the case of the Base Lease Commencement Date, the Excess Payment Amount), as so adjusted, under any circumstances and in any event, will be in an amount at least sufficient for the Owner Trustee to pay in full as of the due date of such installment any payment of principal or interest on the Certificates required to be paid on the due date of such installment of Basic Rent (or on the Base Lease Commencement Date, as the case may be) and (ii) Stipulated Loss Value and Termination Value, as so adjusted, under any circumstances and in any event, will be an amount which, together with any other amounts required to be paid by the Lessee under the Lease in connection with an Event of Loss or a termination of the Lease, as the case may be, will be at least sufficient to pay in full, as of the date of payment thereof, the aggregate unpaid principal of and all unpaid interest on the Certificates accrued to the date on which Stipulated Loss Value or Termination Value, as the case may be, is paid in accordance with the terms of the Lease.

(d) Escrow. The Owner Participant agrees to place in escrow with Sidley & Austin, and to cause Sidley & Austin to retain, (i) the assumptions and methods utilized by the Owner Participant in the calculation of the schedules of Basic Rent, Termination Value and Stipulated Loss Value referred to the definition of the Owner Participant's Net Economic Return, and in the calculation of the Special Purchase Price Percentage as of the Delivery Date, (ii) the assumptions and methods utilized by the Owner Participant in the calculation of the alternate schedules of Basic Rent, Termination Value and Stipulated Loss Value referred to in the definition of the Owner Participant's Revised Net Economic Return, together with such alternate schedules, and the Special Purchase Price Percentage applicable to a lease financing accomplished pursuant to such alternate schedules (calculated to preserve the Special Purchase Price Yield to the applicable Special Purchase Option Date in accordance with the methodology described in the second sentence to Section 20(c)), copies of which alternate schedules and such

Special Purchase Price Percentage have been provided to the Lessee, and (iii) any adjustments made to any of the assumptions referred to in clause (i) or (ii) of this sentence to take into account the effect of any change of the type specified in Section 3(e) of the Lease which theretofore has resulted in an adjustment of the percentages of Basic Rent, Stipulated Loss Value, Termination Value or Special Purchase Price Percentage. In connection with the foregoing, the Owner Participant will provide Sidley & Austin with such supporting documents and materials, and access to such computer programs and/or software, as would be complete and sufficient, without more, to enable the verification, as contemplated by Section 18(b), of any calculations made by the Owner Participant under this Section 18 or Section 20.

SECTION 19. Concerning the Owner Trustee. Wilmington Trust Company is entering into this Agreement solely in its capacity as Owner Trustee under the Trust Agreement and not in its individual capacity (except as expressly stated herein) and in no case shall Wilmington Trust Company (or any entity acting as successor Owner Trustee under the Trust Agreement) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of the Owner Trustee hereunder, provided, however, that Wilmington Trust Company (or any such successor Owner Trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of its covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

SECTION 20. Section 20 Refinancing. (a) In addition to the provisions set forth in Section 17, whether or not a refunding or refinancing pursuant to such Section 17 shall have previously occurred, and with regard to the role of Credit (as defined in the Tax Indemnity Agreement) in the transactions contemplated by the Operative Agreements, at any time the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Outstanding Certificates as part of a refunding or refinancing operation with refinancing indebtedness with respect to which the refinancing indebtedness has a final maturity date of at least six months after the final maturity date of the Outstanding Certificates and has a weighted average life to maturity at least 90 days longer

than the remaining weighted average life to maturity of the Outstanding Certificates (such refinancing hereinafter referred to as the "Section 20 Refinancing"). Promptly on receipt of such request (which request shall specifically designate such refinancing as the Section 20 Refinancing), the Owner Participant will, in good faith, use all reasonable efforts to conclude an agreement with the Lessee as to the terms of such Section 20 Refinancing and upon such agreement:

(i) the Lessee, the Owner Participant, the Indenture Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 20, the "Section 20 Refunding Date") of United States Dollar-denominated debt securities in an aggregate principal amount at least equal to the principal amount of the Outstanding Certificates on the Section 20 Refunding Date and, subject to clause (w) of Section 20(a)(ii), all interest accrued thereon to the Section 20 Refunding Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Certificates on the Section 20 Refunding Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Section 20 Refunding Date is not a Lease Period Date, the Lessee shall on the Section 20 Refunding Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Outstanding Certificates to the Section 20 Refunding Date in the event that such interest is not financed through the issuance of debt securities on the Section 20 Refunding Date, provided that if the Section 20 Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant

may, pursuant to Section 16(a), prepay the Excess Payment Amount or such portion thereof on the Section 20 Refunding Date as the Lessee and the Owner Participant shall agree is advisable in order to optimize the revised rental schedules to be calculated pursuant to Section 20(c), (x) Basic Rent payable in respect of the period from and after the Section 20 Refunding Date shall be recalculated pursuant to Section 20(c) to preserve the Owner Participant's Revised Net Economic Return, (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Section 20 Refunding Date shall be appropriately recalculated pursuant to Section 20(c) to preserve the Owner Participant's Revised Net Economic Return and (z) the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated pursuant to Section 20(c);

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 20 in like manner as the Certificates issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that if within 15 days after receipt of a request from the Lessee to effect the Section 20 Refinancing, which request specifies the proposed structural terms of such refinancing and the amount of refinancing indebtedness, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the Section 20 Refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the Section 20 Refinancing

(other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect the Section 20 Refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, the Section 20 Refinancing will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes.

Each of the Owner Participant, the Owner Trustee, each Loan Participant and the Indenture Trustee agrees to use all reasonable efforts to facilitate the Section 20 Refinancing, including, without limitation, by making such modifications to, or entering into such amendments and supplements to, the Operative Documents as may be appropriate or necessary to effect the Section 20 Refinancing.

(b) The Section 20 Refinancing shall not constitute a refunding or refinancing for the purposes of Section 17. Any debt instruments issued in connection with the Section 20 Refinancing shall not be subject to optional redemption by the Owner Trustee without the consent of the Lessee (except as provided in Section 2.13 of the Trust Indenture).

(c) In connection with the Section 20 Refinancing, the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term and, if the Section 20 Refunding Date occurs on or prior to the Base Lease Commencement Date, the Excess Payment Amount payable pursuant to Section 16(a) hereof (such recalculation of the Excess Payment Amount to take into account any prepayment by the Owner Participant on such Section 20 Refunding Date of all or part of the Excess Payment Amount under clause (w) of Section 20(a)(ii)), (i) to achieve the Owner Participant's Revised Net Economic Return, and (ii) to minimize, to the greatest extent possible consistent with the foregoing

clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in such event, the Special Purchase Price Percentage shall be recalculated in order to preserve the Special Purchase Price Yield to the Special Purchase Option Date of August 11, 2012; provided that the Special Purchase Price Percentage for the Special Purchase Option Date, as so adjusted, shall not be less than 56.9%. Notwithstanding the foregoing, the Owner Participant, the Owner Trustee and the Lessee agree that, at the Lessee's option, the Lessee may request that the Special Purchase Option Date be changed (and that the Special Purchase Price Percentage be recalculated as of such changed date) to whichever of the four Lease Period Dates preceding the Special Purchase Option Date or the two Lease Period Dates following the Special Purchase Option Date (each, an "Alternate Special Purchase Option Date") would result in the lowest possible sum of (1) the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent for the period from the Section 20 Refunding Date to and including the applicable Alternate Special Purchase Option Date (but excluding any Basic Rent designated as payable in advance on such Alternate Special Purchase Option Date) and (2) the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the Special Purchase Price as of such Alternate Special Purchase Option Date, and that, if necessary, the Lease shall be amended to reflect the change in the Special Purchase Option Date from August 11, 2012 to whichever of the Alternate Special Purchase Option Dates as would give rise to the lowest such sum; provided that upon any such request by the Lessee to change the Special Purchase Option Date to an Alternate Special Purchase Option Date, the Owner Participant shall, at its cost and expense, obtain an estimate of the fair market value (taking into account a reasonable estimate for inflation and deflation) of the Aircraft, as of any Alternate Special Purchase Option Dates specified by the Lessee, from BK Associates, Inc. or, if BK Associates, Inc. shall not then be an independent aircraft appraiser, from an independent aircraft appraiser selected by mutual agreement of the Owner Participant and the Lessee or, if they shall be unable to agree, from an appraiser selected pursuant to an Independent Appraisal (except that all costs and expenses of such appraiser shall be borne by the Owner Participant) and, if the estimated fair market value of the Aircraft determined

by such appraiser (expressed as a percentage of Lessor's Cost) is more than the Special Purchase Price Percentage calculated for the Alternate Special Purchase Option Date as provided above in this sentence to which the Lessee has requested the Special Purchase Option Date be changed, the Special Purchase Option Date shall remain unchanged and the Special Purchase Price Percentage shall be the percentage determined in accordance with the preceding sentence, unless the Lessee elects that the Special Purchase Price Percentage as of such Alternate Special Purchase Option Date shall be equal to such estimated fair market value (computed as a percentage of Lessor's Cost), in which case the Lease shall be amended to reflect such Alternate Special Purchase Option Date. In performing any such recalculations in respect of Basic Rent, Stipulated Loss Value and Termination Value, the Owner Participant shall utilize the same methods and assumptions originally used to calculate the alternate schedules of Basic Rent, Stipulated Loss Values and Termination Values referred to in the definition of the Owner Participant's Revised Net Economic Return and in performing any such recalculations in respect of the Special Purchase Price Percentage, the Owner Participant shall, subject to the proviso to the preceding sentence, utilize the same methods and assumptions originally used to calculate the Special Purchase Price Percentage held in escrow by Sidley & Austin pursuant to Section 18(d) (other than, in each case, those assumptions changed as a result of the Section 20 Refinancing; it being agreed that such recalculation shall reflect solely any changes of assumptions or facts resulting directly from such Section 20 Refinancing or due to the prior occurrence of any event taken into account in a recalculation pursuant to Section 18), provided that, Basic Rent, as so recomputed, shall comply with the requirements of Sections 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

Upon completion of any recalculation described above in this Section 20(c), a duly authorized officer of the Owner Participant shall provide a certificate to the Lessee either (x) stating that the payments of Basic Rent, Stipulated Loss Values and Termination Values with respect to the Term, and the Special Purchase Price Percentage and

the Special Purchase Option Date, as are then set forth in the Lease do not require change, or (y) setting forth such adjustments to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term and the Special Purchase Price Percentage and the Special Purchase Option Date, as have been calculated by the Owner Participant in accordance with the above provisions. Such certificate shall describe in reasonable detail the basis for any such adjustments. If the Lessee shall so request, the recalculation of any such adjustments described in this Section 20 shall be verified by procedures substantially identical to the verification procedures set forth in Section 18(b). No adjustment may be made to the payments of Basic Rent, Stipulated Loss Values or Termination Values with respect to the Term pursuant to this Section 20 except in accordance with the provisions of Section 18(c).

Section 21. Miscellaneous. (a) Nothing contained in this Agreement, or in the Lease, the Trust Indenture, the Trust Agreement or the Tax Indemnity Agreement shall be construed as a guarantee by the Lessee of payments due pursuant to the Certificates or of the residual value or useful life of the Aircraft or any portion thereof.

(b) Any provision of this Agreement which is prohibited and unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought. The section and paragraph headings in this Agreement and the index preceding this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sec-

tions, unless otherwise indicated, are to sections of this Agreement.

(c) The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Lessee and, subject to the terms of Section 13(E) hereof, its successors and permitted assigns, the Indenture Trustee and its successors as Indenture Trustee under the Trust Indenture, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement, the Owner Participant and, subject to the provisions of Section 16(c) hereof, its successors and permitted assigns, and the Original Loan Participant and, subject to the provisions of Section 9(p) hereof, the other Loan Participants. Each Loan Participant other than the Original Loan Participant, by its acceptance of any Certificate, shall be deemed to have irrevocably and unconditionally agreed to perform the obligations of a Loan Participant hereunder and under the Trust Indenture.

(d) With respect to any opinion required to be delivered under any Operative Document by counsel to any party hereto, each party hereto hereby irrevocably instructs its applicable counsel to deliver such opinion to and for the benefit of the parties that are the addressees of such opinion.

THIS AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

AMERICAN AIRLINES, INC.

By /s/ JEFFERY M. JACKSON  
Name: Jeffery M. Jackson  
Title: Vice President and Treasurer

Address: P.O. Box 619616  
Dallas/Fort Worth International  
Airport,  
Texas 75261-9616  
Attention: Senior Vice  
President-  
Finance

Telex: 73-0613  
Answerback: AMAIR-DFWDAL  
Facsimile: (817) 967-4318  
Telephone: (817) 963-1234

Address for courier deliveries:

4333 Amon Carter Boulevard  
Fort Worth, Texas 76155  
Attention: Senior Vice President -  
Finance

AT&T CREDIT CORPORATION

By /s/ G. DANIEL MCCARTHY  
Name: G. Daniel McCarthy  
Title: Senior Vice President

Address: 44 Whippany Road  
Morristown, New Jersey 07960

Facsimile: (201) 397-4368  
Telephone: (201) 397-3000

WILMINGTON TRUST COMPANY,  
not in its individual capacity, except  
as otherwise expressly provided herein,  
but solely as Owner Trustee

By /s/ NORMA P. CLOSS  
Name: Norma P. Closs  
Title: Vice President

Address: Rodney Square North  
Wilmington, Delaware 19890  
Attention: Corporate Trust  
Administration  
(AA 1992 AF-3)

Telex: 835437  
Answerback: WILM TR  
Facsimile: (302) 651-8464  
Telephone: (302) 651-1000

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION, as Indenture  
Trustee

By /s/ HOWARD L. SHELLKOPF  
Name: Howard L. Shellkopf  
Title: Vice President

Address: 600 Peachtree Street, N.E.  
Suite 900  
Atlanta, Georgia 30308  
Attention: Corporate Trust  
Department  
(AA 1992 AF-3)

Facsimile: (404) 607-6534  
Telephone: (404) 607-4680

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CIBC INC.,  
as Original Loan Participant

By /s/ ROBERT A. LEVER  
Name: Robert A. Lever  
Title: Vice President

By /s/ PETER A. LOFQUIST  
Name: Peter A. Lofquist  
Title: Vice President

Address: 425 Lexington Avenue  
New York, New York 10017  
  
Attn: Leasing Department

Facsimile: (212) 856-3688  
Telephone: (212) 856-3889

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TRUST AGREEMENT

(AA 1992 AF-1)

Dated as of June 15, 1992

between

AT&T CREDIT CORPORATION,  
as the Owner Participant

and

WILMINGTON TRUST COMPANY,  
as the Owner Trustee

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One Boeing 767-323ER Aircraft  
N374AA

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## TRUST AGREEMENT

This TRUST AGREEMENT (AA 1992 AF-1), dated as of June 15, 1992, between AT&T CREDIT CORPORATION, a corporation organized under the laws of the State of Delaware (together with its successors and permitted assigns, the "Owner Participant"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation, in its individual capacity only as expressly stated herein and otherwise not in its individual capacity but solely as trustee hereunder (herein in such capacity with its permitted successors and assigns called the "Owner Trustee"),

W I T N E S S E T H:

## ARTICLE I

## DEFINITIONS AND TERMS

Section 1.01. Certain Definitions. Unless the context shall otherwise require and except as contained in this Section 1.01, capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Lease (as hereinafter defined) for all purposes hereof. All definitions contained in this Section 1.01 shall be equally applicable to both the singular and plural forms of the terms defined. For all purposes of this Trust Agreement the following terms shall have the following meanings:

"Certificate" has the meaning set forth in the Trust Indenture.

"Commitment" of the Owner Participant shall mean the amount which the Owner Participant has committed to pay to the Owner Trustee pursuant to Section 1 of the Participation Agreement as the Owner Participant's participation in the payment of Lessor's Cost.

"Excepted Property" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Estate" has the meaning ascribed to such term in the Trust Indenture.

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"Indenture Event of Default" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Trustee" means NationsBank of Georgia, National Association, and each other Person which may from time to time be acting as indenture trustee under the Trust Indenture.

"Lease" means that certain Lease Agreement (AA 1992 AF-1) (together with the Rent Schedule, except in the case of any reference to the Lease Agreement as filed with the Federal Aviation Administration), dated as of the date hereof, between the Owner Trustee and Lessee, relating to the Aircraft bearing United States registration number N374AA, as said Lease Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms of the Lease and the other Operative Documents. The term "Lease" shall also include each Lease Supplement from time to time entered into pursuant to the terms of the Lease.

"Lease Event of Default" has the meaning ascribed to the term "Event of Default" in the Lease.

"Lessee" means American Airlines, Inc., a Delaware corporation, and its successors and assigns.

"Operative Documents" means each of this Trust Agreement, the Lease, each Lease Supplement, the Trust Indenture, each Trust Agreement and Indenture Supplement, the Certificates, the Purchase Agreement (insofar as it relates to the Aircraft), the Purchase Agreement Assignment, the Bills of Sale and the Participation Agreement.

"Trust Agreement and Indenture Supplement" with respect to the Aircraft means an instrument supplementing the Trust Agreement and the Trust Indenture which identifies such Aircraft and evidences its inclusion in the Trust Estate and the Indenture Estate and is in proper form for filing and recordation pursuant to and in accordance with the requirements of the Federal Aviation Act.

"Trust Estate" means all estate, right, title and interest of the Owner Trustee in and to the Aircraft, the Participation Agreement, the Lease, each Lease Supplement, the Bills of Sale, the Purchase Agreement and the Purchase Agreement Assignment, including, without limitation, all amounts of Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds payable under liability policies to or for the benefit of the Owner Trustee, for its own account or in its individual capacity, or to the Owner Participant or any Affiliate thereof listed as an additional insured) and requisition, indemnity or other payments of any kind for or with respect to the Aircraft including, without limitation, any and all payments and proceeds received by the Owner Trustee after the termination of the Lease with respect to the Aircraft resulting from the sale, lease or other disposition thereof, subject, however, to the provisions of and the lien created by the Trust Indenture. Notwithstanding the foregoing, "Trust Estate" shall include all of the property, rights and interest of the Owner Trustee subject to the Granting Clause of the Trust Indenture but shall not include any Excepted Property.

"Trust Indenture" means that certain Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of the date hereof, between the Indenture Trustee and the Owner Trustee, as the same may be supplemented, amended or modified from time to time.

## ARTICLE II

### AUTHORITY TO EXECUTE CERTAIN OPERATIVE DOCUMENTS; DECLARATION OF TRUST

Section 2.01. Authority to Execute Documents. The Owner Participant hereby authorizes and directs the Owner Trustee (i) to execute and deliver the Trust Indenture, the Trust Agreement and Indenture Supplement covering the Aircraft, the Participation Agreement, the Purchase Agreement Assignment, the Lease, the Lease Supplement covering the Aircraft, the Certificates and any other agreements, instruments or documents, to which the Owner Trustee is a party in the respective forms thereof delivered from time to time by the Owner Participant to the Owner Trustee for execution and delivery, (ii) to execute and deliver all other agreements, instruments and certificates contemplated by the Operative Documents and

(iii) subject to the terms hereof, to exercise its rights (upon instructions received from the Owner Participant) and perform its duties under the documents referred to in clauses (i) and (ii) in accordance with the terms thereof.

Section 2.02. Declaration of Trust. The Owner Trustee hereby declares that it will hold the Trust Estate upon the trusts hereinafter set forth for the use and benefit of the Owner Participant, subject, however, to the provisions of and the lien created under the Trust Indenture.

### ARTICLE III

#### ACCEPTANCE AND DELIVERY OF AIRCRAFT; ISSUANCE OF CERTIFICATES; LEASE OF AIRCRAFT; REPLACEMENT

Section 3.01. Authorization. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that, on the Delivery Date it will, subject to due compliance with the terms of Section 3.02 hereof:

- (i) authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees of Lessee) to accept delivery of the Aircraft pursuant to the Participation Agreement;
- (ii) execute and deliver each of the Operative Documents to which the Owner Trustee is to be a party and a Trust Agreement and Indenture Supplement covering the Aircraft;
- (iii) purchase the Aircraft pursuant to the Participation Agreement and accept from Lessee the delivery of the Bills of Sale (as defined in the Participation Agreement);
- (iv) pay an amount equal to Lessor's Cost to Lessee pursuant to the Participation Agreement in consideration of the sale of the Aircraft by Lessee to the Owner Trustee thereunder;
- (v) make application to the Federal Aviation Administration for registration of the Aircraft in the name of the Owner Trustee;

(vi) issue to the Original Loan Participant a Certificate in respect of the Aircraft in the amount and otherwise as provided in the Participation Agreement and the Trust Indenture;

(vii) execute and deliver the financing statements contemplated by Section 4(F) of the Participation Agreement;

(viii) take such other action as may be required of the Owner Trustee hereunder or under the Participation Agreement, the Trust Indenture or the Lease or any of the other Operative Documents to effectuate the transactions contemplated thereby; and

(ix) execute and deliver all such other instruments, documents or certificates and take all such other actions in accordance with the directions of the Owner Participant, as the Owner Participant may deem necessary or advisable in connection with the transactions contemplated hereby.

Section 3.02. Conditions Precedent. The right and obligation of the Owner Trustee to take the action required by Section 3.01 hereof shall be subject to the following conditions precedent:

(a) the Owner Participant shall have made the full amount of its Commitment with respect to the Aircraft available to the Owner Trustee, in immediately available funds, in accordance with Section 2(a) of the Participation Agreement; and

(b) the terms and conditions of Section 4 of the Participation Agreement, insofar as they relate to the Aircraft, have been waived or complied with in a manner satisfactory to the Owner Participant.

Section 3.03. Postponement of Delivery Date. The Owner Trustee, without necessity of further instructions from the Owner Participant, is hereby authorized and directed by the Owner Participant to take all action specified in Section 5 of the Participation Agreement as action to be taken by the Owner Trustee.

Section 3.04. Authorization in Respect of a Replacement Aircraft or Replacement Engines. The Owner

Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, in the event of a Replacement Airframe and Replacement Engines, if any, being substituted pursuant to Section 10(a) of the Lease, or a Replacement Engine being substituted pursuant to Section 9(g) or 10(b) of the Lease, subject to due compliance with the terms of Section 9(g), 10(a) or 10(b) of the Lease, as the case may be:

(a) to the extent not previously accomplished by a prior authorization, authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees of Lessee) to accept delivery of the Replacement Airframe and Replacement Engines, if any, or any Replacement Engine;

(b) accept from Lessee or other vendor of the Replacement Airframe and Replacement Engines, if any, or any Replacement Engine a bill of sale or bills of sale (if tendered) and the invoice, if any, with respect to the Replacement Airframe and Replacement Engines, if any, or the Replacement Engine being furnished pursuant to Section 9(g), 10(a) or (b) of the Lease;

(c) in the case of a Replacement Airframe, make application to the Federal Aviation Administration for the registration in the name of the Owner Trustee of the Aircraft of which such Replacement Airframe is a part;

(d) execute and deliver a Lease Supplement and a Trust Agreement and Indenture Supplement covering (i) the Aircraft of which such Replacement Airframe is part or (ii) such Replacement Engine, as the case may be;

(e) transfer its interest in (without recourse except as to obligations in respect of Lessor's Liens) and to the Airframe and Engines (if any) or the Engine being replaced to Lessee;

(f) request in writing that the Indenture Trustee execute and deliver to Lessee appropriate instruments to release the Airframe and Engines or engines (if any) or the Engine or engine being replaced from the lien created under the Trust Inden-

ture and release the Purchase Agreement and the Purchase Agreement Assignment (solely with respect to such replaced Airframe and Engines, if any, or Engine) from the assignment and pledge under the Trust Indenture; and

(g) take such further action as may be contemplated by clauses (A) through (G) of the third full paragraph of Section 10(a) of the Lease or clauses (i) through (vii) of Section 10(b) of the Lease, or Section 5.06 of the Trust Indenture, as the case may be.

Section 3.05. Trust Agreement Remaining in Full Force and Effect. In the event of the substitution of a Replacement Aircraft for the Aircraft or the substitution of a Replacement Engine for any Engine or engine, all provisions of this Trust Agreement relating to such replaced Aircraft or Engine or engine shall be applicable to such Replacement Aircraft or Replacement Engine with the same force and effect as if such Replacement Aircraft or Replacement Engine were the same aircraft or engine as the Aircraft or Engine being replaced but for the Event of Loss with respect to such Aircraft or Engine.

Section 3.06. Authorization in Respect of a Return of an Engine. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, in the event of an engine being transferred to the Owner Trustee pursuant to Section 5(b) of the Lease, subject to due compliance with the terms of such Section 5(b):

(a) accept from Lessee the bill of sale contemplated by such Section 5(b) with respect to such engine being transferred to the Owner Trustee pursuant to such Section 5(b);

(b) transfer its interest in (without recourse except as to obligations in respect of Lessor's Liens) and to an Engine to Lessee as contemplated by such Section 5(b); and

(c) request in writing that the Indenture Trustee execute and deliver to Lessee appropriate instruments to release the Engine being transferred to Lessee pursuant to such Section 5(b) from the

lien of the Trust Indenture and to release the Purchase Agreement and the Purchase Agreement Assignment (solely with respect to such Engine) from the assignment and pledge under the Trust Indenture.

#### ARTICLE IV

##### RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE TRUST ESTATE

Section 4.01. Distribution of Payments. (a) Payments to the Indenture Trustee. Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, all Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds specified in Section 4.01(e)) and requisition, indemnity or other payments of any kind included in the Trust Estate (other than Excepted Property) shall be payable directly to the Indenture Trustee (and if any of the same are received by the Owner Trustee, such amounts shall upon receipt be paid over to the Indenture Trustee without deduction, set-off or adjustment of any kind) for distribution in accordance with the provisions of Article III of the Trust Indenture; provided, however, that any payments received by the Owner Trustee from (i) Lessee with respect to the Owner Trustee's fees and disbursements, or (ii) the Owner Participant pursuant to Article VII shall not be paid over to the Indenture Trustee but shall be retained by the Owner Trustee and applied toward the purpose for which such payments were made.

(b) Payments to the Owner Trustee; Other Parties. Any payment of the type referred to in paragraph (a) of this Section 4.01 (other than Excepted Property) received by the Owner Trustee, any payments received other than as specified in Section 4.01(d) or 4.01(e) and any other amounts received as part of the Trust Estate and for the application or distribution of which no provision is made herein, for or with respect to the Aircraft or otherwise (i) from the Indenture Trustee or (ii) from any Person, after the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, shall, subject to subsection (c) hereof, be distributed forthwith upon receipt by the Owner Trustee in the following order of priority: first, so much of such payment as shall be required to pay or reimburse the Owner Trustee for any fees or expenses not otherwise paid or reimbursed

as to which the Owner Trustee is entitled to be so paid or reimbursed pursuant to the provisions hereof or of the Trust Indenture shall be retained by the Owner Trustee; second, so much of the remainder for which provision as to the application thereof is contained in the Lease or any of the other Operative Documents shall be applied and distributed in accordance with the terms of the Lease or such other Operative Document; and third, the balance, if any, shall be paid to the Owner Participant.

(c) Certain Distributions to Lessee. After the Trust Indenture shall have been discharged pursuant to Sections 10.01 thereof, any payment of the type referred to in paragraph (a) of this Section 4.01 received by the Owner Trustee with respect to such Aircraft shall, if required by the terms of the Lease, be distributed to Lessee. Any such payment which would be required to be made to Lessee pursuant to the terms of the Lease or the Participation Agreement, but is not made due to the occurrence and continuation of a Lease Event of Default, shall be held and invested by the Owner Trustee pursuant to Section 25 of the Lease as further security for the obligations of Lessee under the Lease, and at such time as there shall not be continuing any Lease Event of Default, such payment shall be made to Lessee.

(d) Excepted Property. Any Excepted Property received by the Owner Trustee shall be paid by the Owner Trustee to the person to whom such Excepted Property is payable under the provisions of the Participation Agreement, the Tax Indemnity Agreement or the Lease.

(e) Insurance Proceeds. Any proceeds of any insurance for loss or damage to the Aircraft in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee. Any proceeds of any insurance for loss or damage to the Aircraft not constituting an Event of Loss with respect to the Airframe, the Aircraft or any Engine received by the Owner Trustee shall be applied as provided in Section 11(b) of the Lease.

Section 4.02. Method of Payments. The Owner Trustee shall make distributions or cause distributions to be made to (i) the Owner Participant pursuant to this Article IV by transferring by wire transfer in immediately available funds the amount to be distributed to such account or accounts of the Owner Participant as it may designate from time to time by written notice to the Owner

Trustee (and the Owner Trustee shall use reasonable efforts to cause such funds to be transferred by wire transfer on the same day as received, but in any case not later than the next succeeding Business Day), and (ii) the Indenture Trustee pursuant to this Article IV by paying the amount to be distributed to the Indenture Trustee in the manner specified in the Trust Indenture; provided, however, that the Owner Trustee shall invest overnight, for the benefit of the Owner Participant, in investments that would be permitted by Section 25 of the Lease (but only to the extent such investments are available and, if such investments are not available, then in such other investments available to the Owner Trustee which, after consultation with the Owner Participant, the Owner Participant shall direct) all funds not transferred by wire transfer on the same day as they were received. Notwithstanding the foregoing but subject always to the provisions of and lien created by the Trust Indenture, the Owner Trustee will, if so requested by the Owner Participant by written notice, pay any and all amounts payable by the Owner Trustee hereunder to the Owner Participant either (i) by crediting, or causing the Indenture Trustee to credit, such amount or amounts to an account or accounts maintained by the Owner Participant with the Owner Trustee in its individual capacity or with the Indenture Trustee, as the case may be, in immediately available funds, or (ii) by mailing, or causing the Indenture Trustee to mail, an official bank check or checks in such amount or amounts payable to the Owner Participant at such address as the Owner Participant shall have designated in writing to the Owner Trustee.

#### ARTICLE V

##### DUTIES OF THE OWNER TRUSTEE

Section 5.01. Notice of Event of Default. If the Owner Trustee shall have knowledge of a Lease Event of Default or an Indenture Event of Default (or an event that, with the passage of time or the giving of notice or both, would constitute a Lease Event of Default or an Indenture Event of Default), the Owner Trustee shall give to the Owner Participant and Lessee prompt telephonic or telex notice thereof followed by prompt confirmation thereof by certified mail, postage prepaid. Subject to the terms of Section 5.03, the Owner Trustee shall take such action or shall refrain from taking such action, not

inconsistent with the provisions of the Operative Documents, with respect to such Lease Event of Default or Indenture Event of Default or event as the Owner Trustee shall be directed in writing by the Owner Participant. For all purposes of this Trust Agreement and the Lease, the Owner Trustee shall not be deemed to have knowledge of a Lease Event of Default or an Indenture Event of Default or an event that, with the passage of time or the giving of notice or both, would constitute a Lease Event of Default or an Indenture Event of Default unless notified in writing thereof in the manner and at the address set forth in Section 11.05 or unless an officer in the Corporate Trust Administration of the Owner Trustee has actual knowledge thereof.

Section 5.02. Action Upon Instructions. Subject in all respects to the terms of Sections 5.01 and 5.03 and to the terms of the other Operative Documents, upon the written instructions at any time and from time to time of the Owner Participant, the Owner Trustee will take such of the following actions as may be specified in such instructions: (i) give such notice or direction or exercise such right, remedy or power hereunder or under any of the Operative Documents to which the Owner Trustee is a party, or in respect of all or any part of the Trust Estate, as shall be specified in such instructions; (ii) take such action to preserve or protect the Trust Estate (including the discharge of any liens or encumbrances) as may be specified in such instructions; (iii) approve as satisfactory to it all matters required by the terms of the Lease and the other Operative Documents to be satisfactory to the Owner Trustee, it being understood that without written instructions of the Owner Participant, the Owner Trustee shall not approve any such matter as satisfactory to it; and (iv) subject to the rights of Lessee under the Operative Documents, after the expiration or earlier termination of the Lease, convey all of the Owner Trustee's right, title and interest in and to the Aircraft for such amount, on such terms and to such purchaser or purchasers as shall be designated in such instructions, or lease the Aircraft on a net lease basis on such terms as shall be set forth in such instructions or deliver the Aircraft to the Owner Participant in accordance with such instructions. In the event that the Owner Trustee is unsure of the application of any provision of this Trust Agreement or any other agreement relating to the transactions contemplated hereby, the Owner Trustee

may request and rely upon instructions of the Owner Participant.

Section 5.03. Indemnification. The Owner Trustee shall not be required to take or refrain from taking any action under Section 5.01 or 5.02 (other than the giving of notices required of the Owner Trustee therein) unless the Owner Trustee shall have been indemnified by the Owner Participant, in manner and form satisfactory to the Owner Trustee, against any liability, cost or expense (including reasonable counsel fees and disbursements) which may be incurred in connection therewith; and, if the Owner Participant shall have directed the Owner Trustee to take or refrain from taking any such action, the Owner Participant agrees to furnish such indemnity as shall be required and, in addition (to the extent not otherwise paid pursuant to the Participation Agreement or the Lease), to pay the reasonable fees and charges of the Owner Trustee for the services performed or to be performed by it pursuant to such direction. The Owner Trustee shall not be required to take any action under Section 5.01 or 5.02 if the Owner Trustee shall reasonably determine, or shall have been advised by counsel, that such action is contrary to the terms of any of the Operative Documents to which the Owner Trustee is a party, or is otherwise contrary to law.

Section 5.04. No Duties Except as Specified in Trust Agreement or Instructions. The Owner Trustee shall not have any duty or obligation to manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate, or otherwise to take or refrain from taking any action under, or in connection with any of the Operative Documents to which the Owner Trustee is a party, except as expressly required by the terms of any of the Operative Documents to which the Owner Trustee is a party, or (to the extent not inconsistent with the provisions of the Trust Indenture) as expressly provided by the terms hereof or in written instructions from the Owner Participant received pursuant to the terms of Section 5.01 or 5.02, and no implied duties or obligations shall be read into this Trust Agreement against the Owner Trustee. The Owner Trustee nevertheless agrees that it will, in its individual capacity and at its own cost and expense (but without any right of indemnity in respect of any such cost or expense under Section 7.01) promptly take such action as may be necessary duly to discharge and satisfy in full (i) all Lessor's Liens attributable to the

Owner Trustee in its individual capacity, (ii) any Liens (other than Lessor's Liens attributable to it in its individual capacity) created as a result of its breach of any of its obligations under this Trust Agreement (subject to the limitations on the liability of the Owner Trustee in its individual capacity set forth in Section 6.01) on any part of the Trust Estate, or on any properties of the Owner Trustee assigned, pledged or mortgaged as part of the Trust Estate, which arise from acts of the Owner Trustee in its individual capacity, except the lien created under the Trust Indenture, the rights of Lessee under the Lease and the rights of the Owner Participant hereunder, and (iii) any other liens or encumbrances attributable to the Owner Trustee in its individual capacity on any part of the Trust Estate which result from claims against the Owner Trustee in its individual capacity unrelated to the ownership of the Aircraft, the administration of the Trust Estate or the transactions contemplated by the Operative Documents.

Section 5.05. No Action Except Under Specified Documents or Instructions. The Owner Trustee shall have no power or authority to, and the Owner Trustee agrees that it will not, manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate except (i) as expressly required by the terms of any of the Operative Documents to which the Owner Trustee is a party, (ii) as expressly provided by the terms hereof, or (iii) as expressly provided in written instructions from the Owner Participant pursuant to Section 5.01 or 5.02, but subject always to the provisions of, and the lien created by, the Trust Indenture.

#### ARTICLE VI

##### THE OWNER TRUSTEE

Section 6.01. Acceptance of Trusts and Duties. The Owner Trustee in its individual capacity accepts the trusts hereby created and agrees to perform the same but only upon the terms hereof applicable to it. The Owner Trustee in its individual capacity also agrees to receive and disburse all monies received by it constituting part of the Trust Estate upon the terms hereof. The Owner Trustee, in its individual capacity, shall not be answerable or accountable under any circumstances, except for (i) its own willful misconduct or gross negligence,

(ii) its performance of the terms of the last sentence of Section 5.04, (iii) its failure to use ordinary care in receiving or disbursing funds, (iv) liabilities that may result from the inaccuracy of any representation or warranty of the Owner Trustee in its individual capacity (or from the failure by the Owner Trustee in its individual capacity to perform any covenant made in its individual capacity) in Section 6.03, or in any of the Operative Documents to which the Owner Trustee is a party, and (v) taxes, fees or other charges on, based on or measured by any fees, commissions or other compensation received by the Owner Trustee as compensation for its services rendered as the Owner Trustee; provided, however, that the failure to act or perform in the absence of instructions after the Owner Trustee has requested instructions from the Owner Participant pursuant to the last sentence of Section 5.02 shall not constitute willful misconduct or gross negligence for purposes of clause (i) of this Section 6.01.

Section 6.02. Absence of Certain Duties. Except in accordance with written instructions furnished pursuant to Section 5.01, 5.02 and except as provided in, and without limiting the generality of, Section 5.04 and the last sentence of Section 9.01(b), the Owner Trustee shall have no duty (i) to see to any registration of the Aircraft or any recording or filing of the Lease, this Trust Agreement, the Trust Indenture or of any supplement to any thereof or to see to the maintenance of any such registration, rerecording or refiling, except that the Owner Trustee shall notify the Federal Aviation Administration of changes in its mailing address pursuant to 14 C.F.R. Section 47.45 and the Owner Trustee shall (x) take such other action as may be required of the Owner Trustee to maintain the registration of the Aircraft in the name of the Owner Trustee under the Federal Aviation Act or, to the extent the Aircraft is registered in a country other than the United States pursuant to Section 7 of the Lease, other applicable law and (y) to the extent that information for that purpose is supplied by Lessee pursuant to any of the Operative Documents, complete and timely submit any and all reports relating to the Aircraft which may from time to time be required by the Federal Aviation Administration or any government or governmental authority having jurisdiction, (ii) to see to any insurance on the Aircraft or to effect or maintain any such insurance, whether or not Lessee shall be in default with respect thereto, other than to forward to the Owner Participant

copies of all reports and other information which the Owner Trustee receives from Lessee pursuant to Section 11 of the Lease, (iii) to see to the payment or discharge of any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to or assessed or levied against any part of the Trust Estate except as provided by Section 9(c) of the Participation Agreement and Section 4.01 of the Trust Indenture, (iv) to confirm or verify any financial statements of Lessee or (v) to inspect the Aircraft or Lessee's books and records with respect to the Aircraft.

Section 6.03. No Representations or Warranties as to Certain Matters. THE OWNER TRUSTEE IN ITS INDIVIDUAL CAPACITY OR AS THE OWNER TRUSTEE DOES NOT MAKE AND SHALL NOT BE DEEMED TO HAVE MADE (a) ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, WORKMANSHIP, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY ENGINE THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE WHATSOEVER, except that the Owner Trustee in its individual capacity warrants that on the Delivery Date the Owner Trustee has received whatever title to the Aircraft was conveyed to it by Lessee and shall be in compliance with the last sentence of Section 5.04 hereof and that the Aircraft shall during the Term be free of Lessor's Liens attributable to it in its individual capacity, or (b) any representation or warranty as to the validity, legality or enforceability of this Trust Agreement or any other Operative Document to which the Owner Trustee is a party, or any other document or instrument, or as to the correctness of any statement contained in any thereof except to the extent that any such statement is expressly made herein or therein as a representation by the Owner Trustee in its individual capacity and except that the Owner Trustee in its individual capacity hereby represents and warrants that this Trust Agreement has been, and (assuming the due authorization, execution and delivery of this Trust Agreement by the Owner Participant) the Operative Documents to which the Owner Trustee is a party have been (or at the time of execution and delivery of any such instrument by the Owner Trustee hereunder or pursuant to the terms of the Participation

Agreement that such an instrument will be) duly executed and delivered by one of its officers who is or will be, as the case may be, duly authorized to execute and deliver such instruments on behalf of the Owner Trustee and that this Trust Agreement has been duly authorized, executed and delivered by the institution acting as the Owner Trustee and constitutes the legal, valid and binding obligation of such institution enforceable against it in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

Section 6.04. No Segregation of Monies Required; Investment Thereof. Monies received by the Owner Trustee hereunder need not be segregated in any manner except to the extent required by law, and may be deposited under such general conditions as may be prescribed by law, and shall be invested as provided in Section 4.02 hereof or Section 25 of the Lease.

Section 6.05. Reliance Upon Certificates, Counsel and Agents. The Owner Trustee shall incur no liability to anyone in acting in reliance upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it to be genuine and reasonably believed by it to be signed by the proper party or parties. Unless other evidence in respect thereof is specifically prescribed herein, any request, direction, order or demand of the Owner Participant, Lessee or the Indenture Trustee mentioned herein or in any of the other Operative Documents to which the Owner Trustee is a party shall be sufficiently evidenced by written instruments signed by a person purporting to be an officer of the Owner Participant, Lessee or the Indenture Trustee, as the case may be. The Owner Trustee may accept a copy of a resolution of the Board of Directors of Lessee or the Owner

Participant, as the case may be, certified by the Secretary or an Assistant Secretary of Lessee, the Owner Participant or the Indenture Trustee, as the case may be, as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted by said Board and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically described herein, the Owner Trustee may for all purposes hereof rely on a certificate signed by an officer of Lessee or the Owner Participant or the Indenture Trustee, as the case may be, as to such fact or matter, and such certificate shall constitute full protection to the Owner Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon.

Section 6.06. Not Acting in Individual Capacity. In acting hereunder, the Owner Trustee acts solely as trustee and not in its individual capacity except as otherwise expressly provided herein; and, except as may be otherwise expressly provided in this Trust Agreement, the Lease, the Participation Agreement or the Trust Indenture, all persons having any claim against the Owner Trustee by reason of the transactions contemplated hereby shall look only to the Trust Estate for payment or satisfaction thereof.

Section 6.07. Fees; Compensation. Except as provided in Section 4.01(b), 5.03, 6.08 or 7.01, the Owner Trustee agrees that it shall have no right against the Owner Participant or (subject to the provisions of the Trust Indenture) the Trust Estate for any fee as compensation for its services hereunder.

Section 6.08. Tax Returns. The Owner Trustee shall be responsible for the keeping of all appropriate books and records relating to the receipt and disbursement by it of all monies under this Trust Agreement or any agreement contemplated hereby. The Owner Participant shall be responsible for causing to be prepared and filed, at its expense, all income tax returns required to be filed by the Owner Participant. The Owner Trustee shall be responsible for causing to be prepared, at the request of the Owner Participant, all income tax returns required to be filed with respect to the trust created hereby and shall execute and file such returns. The Owner Participant, upon request, will furnish the Owner Trustee with all such information as may be reasonably required from the Owner Participant in connection with the preparation of such income tax returns.

## ARTICLE VII

INDEMNIFICATION OF THE OWNER TRUSTEE  
BY THE OWNER PARTICIPANT

Section 7.01. The Owner Participant to Indemnify the Owner Trustee. The Owner Participant hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and does hereby indemnify, protect, save and keep harmless the Owner Trustee in its individual capacity, and its successors, assigns, legal representatives, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, taxes (excluding any taxes payable by the Owner Trustee in its individual capacity on or measured by any compensation received by the Owner Trustee in its individual capacity for its services hereunder), claims, actions or suits or reasonable costs, expenses or disbursements (including, without limitation, reasonable legal fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Owner Trustee in its individual capacity (whether or not also indemnified against by Lessee under the Lease or under the Participation Agreement or also indemnified against by the Manufacturer or any other Person) in any way relating to or arising out of this Trust Agreement or any of the Operative Documents or the enforcement of any of the terms of any thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of the Aircraft or any Engine (including, without limitation, latent and other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Estate or the action or inaction of the Owner Trustee hereunder, except (a) in the case of willful misconduct or gross negligence on the part of the Owner Trustee either as trustee or in its individual capacity in the performance or nonperformance of its duties hereunder or (b) those resulting from the inaccuracy of any representation or warranty of the Owner Trustee in its individual capacity (or from the failure of the Owner Trustee in its individual capacity to perform any covenant) in Section 6.03, or in any of the Operative Documents, or (c) those arising or resulting from any of the matters described in the last sentence of Section 6.01, or (d) those resulting from

its failure to perform the terms of the last sentence of Section 5.04 hereof or from the failure to use ordinary care in the receipt and disbursement of funds. The indemnities contained in this Section 7.01 extend to the Owner Trustee only in its individual capacity and shall not be construed as indemnities of the Indenture Estate or the Trust Estate (except to the extent, if any, that the Owner Trustee has been reimbursed by Lessee pursuant to the Lease for amounts covered by the indemnities contained in this Section 7.01). The indemnities contained in this Section 7.01 shall survive the termination of this Trust Agreement. In addition, if necessary, the Owner Trustee shall be entitled to indemnification from the Trust Estate, subject however to the provisions of Section 4.01 hereof and the lien created under the Trust Indenture, for any liability, obligation, loss, damage, penalty, tax, claim, action, suit, cost, expense or disbursement indemnified against pursuant to this Section 7.01 to the extent not reimbursed by Lessee, the Owner Participant or others, but without releasing any of them from their respective agreements of reimbursement; and to secure the same the Owner Trustee shall have a lien on the Trust Estate, subject however to the provisions of Section 4.01 hereof and the lien created under the Trust Indenture, which lien of the Owner Trustee shall be prior to any interest therein of the Owner Participant.

#### ARTICLE VIII

##### TRANSFER OF THE OWNER PARTICIPANT'S INTEREST

Section 8.01. Transfer of Interest. All provisions of Section 16(c) of the Participation Agreement shall (with the same force and effect as if set forth in full, mutatis mutandis, in this Section 8.01) be applicable to any assignment, conveyance or other transfer by the Owner Participant of its right, title or interest in and to this Trust Agreement or any of the Operative Documents to which the Owner Trustee is a party or any proceeds therefrom.

## ARTICLE IX

## SUCCESSOR OWNER TRUSTEES; CO-TRUSTEES

Section 9.01. Resignation of the Owner Trustee; Appointment of Successor. (a) Resignation or Removal. The Owner Trustee or any successor Owner Trustee may resign at any time without cause by giving at least 60 days' prior written notice to the Owner Participant, the Indenture Trustee and Lessee, such resignation to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b). In addition, subject to Section 9(d) of the Participation Agreement, the Owner Participant may at any time remove the Owner Trustee without cause by a notice in writing delivered to the Owner Trustee, the Indenture Trustee and Lessee, such removal to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b). In the case of the resignation or removal of the Owner Trustee, subject to Section 9(d) of the Participation Agreement, the Owner Participant may appoint a successor Owner Trustee by an instrument in writing signed by the Owner Participant. If a successor Owner Trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Owner Trustee, Lessee or the Indenture Trustee may apply to any court of competent jurisdiction to appoint a successor Owner Trustee to act until such time, if any, as a successor shall have been appointed as above provided. Any successor Owner Trustee so appointed by such court shall immediately and without further act be superseded by any successor Owner Trustee appointed as above provided within one year from the date of the appointment by such court.

(b) Execution and Delivery of Documents, etc. Any successor Owner Trustee, however appointed, shall execute and deliver to the predecessor Owner Trustee an instrument accepting such appointment, and thereupon such successor Owner Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties and trusts of the predecessor Owner Trustee in the trusts hereunder with like effect as if originally named the Owner Trustee herein; but nevertheless, upon the written request of such successor Owner Trustee, such predecessor Owner Trustee shall execute and deliver an instrument transferring to such successor Owner Trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of such predecessor Owner Trustee,

and such predecessor Owner Trustee shall duly assign, transfer, deliver and pay over to such successor Owner Trustee all monies or other property then held by such predecessor Owner Trustee upon the trusts herein expressed. Upon the appointment of any successor Owner Trustee hereunder, the predecessor Owner Trustee will complete, execute and deliver to the successor Trustee such documents as are necessary to cause registration of the Aircraft included in the Trust Estate to be transferred upon the records of the Federal Aviation Administration, or other governmental authority having jurisdiction, into the name of the successor Owner Trustee.

(c) Qualification. Any successor Owner Trustee, however appointed, shall be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act, and shall also be a bank or trust company organized under the laws of the United States or any state thereof having a combined capital and surplus of at least \$100,000,000 (or having a combined capital and surplus of at least \$25,000,000 and the obligations of which are guaranteed by a corporation or a bank or trust company having a combined capital and surplus of at least \$100,000,000), if there be such an institution willing, able and legally qualified to perform the duties of the Owner Trustee hereunder upon reasonable and customary terms.

(d) Merger, etc. Any corporation into which the Owner Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Owner Trustee shall be a party, or any corporation to which substantially all the corporate trust business of the Owner Trustee may be transferred, shall, subject to the terms of Section 9.01(c), be the Owner Trustee hereunder without further act.

Section 9.02. Co-Trustees and Separate Trustees. If at any time or times it shall be necessary or prudent in order to conform to any applicable law of any jurisdiction in which all or any part of the Trust Estate is located, or the Owner Trustee shall be advised by counsel that it is so necessary or prudent in the interest of the Owner Participant or the Owner Trustee, or the Owner Trustee shall have been directed to do so by the Owner Participant, the Owner Trustee and the Owner Participant shall, subject to Section 9(d) of the Participation Agreement,

execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to constitute another bank or trust company or one or more persons (any and all of which shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act) approved by the Owner Trustee, Lessee and the Owner Participant, either to act as co-trustee or co-trustees, jointly with the Owner Trustee, or to act as separate trustee or trustees hereunder (any such co-trustee or separate trustee being herein sometimes referred to as an "additional trustee"). In the event (i) the Owner Participant shall not have joined in the execution of such agreements supplemental hereto within ten days after the receipt of a written request from the Owner Trustee so to do, or (ii) a Lease Event of Default shall occur and be continuing, the Owner Trustee may act under the foregoing provisions of this Section 9.02 without the concurrence of the Owner Participant; and the Owner Participant hereby appoints the Owner Trustee its agent and attorney-in-fact to act for it under the foregoing provisions of this Section 9.02 in either of such contingencies.

Every additional trustee hereunder shall, to the extent permitted by law, be appointed and act, and the Owner Trustee and its successors shall act, subject to the following provisions and conditions:

(A) all powers, duties, obligations and rights conferred upon the Owner Trustee in respect of the custody, control and management of monies, the Aircraft or documents authorized to be delivered hereunder shall be exercised solely by the corporation designated as the Owner Trustee in the first paragraph of this Trust Agreement, or its successors as the Owner Trustee hereunder;

(B) all other rights, powers, duties and obligations conferred or imposed upon the Owner Trustee shall be conferred or imposed upon and exercised or performed by the corporation designated as the Owner Trustee in the first paragraph of this Trust Agreement or its successor as the Owner Trustee, and such additional trustee or trustees jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed (including the holding of title to the Trust Estate), the Owner Trustee shall be incompetent or unqualified

to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such additional trustee or trustees;

(C) no power given to, or which it is provided hereby may be exercised by, any such additional trustee or trustees shall be exercised hereunder by such additional trustee or trustees, except jointly with, or with the consent in writing of, the corporation designated as the Owner Trustee in this Trust Agreement or its successor as the Owner Trustee, anything herein contained to the contrary notwithstanding;

(D) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder;

(E) subject to Section 9(d) of the Participation Agreement, the Owner Participant, at any time, by an instrument in writing may remove any such additional trustee. In the event that the Owner Participant shall not have joined in the execution of any such instrument within ten days after the receipt of a written request from the Owner Trustee so to do, the Owner Trustee shall have the power to remove any such additional trustee without the concurrence of the Owner Participant; and the Owner Participant hereby appoints the Owner Trustee its agent and attorney-in-fact to act for it in such connection in such contingency; and

(F) no appointing of, or action by, any additional trustee will relieve the Owner Trustee of any of its obligations under, or otherwise affect any of the terms of the Trust Indenture or affect the interests of the Indenture Trustee or the holders of the Certificates in the Trust Estate.

## ARTICLE X

SUPPLEMENTS AND AMENDMENTS TO TRUST AGREEMENT  
AND OTHER DOCUMENTS

Section 10.01. Supplements and Amendments. (a) Supplements and Amendments. At any time and from time to time, upon the written request of the Owner Participant, (i) the Owner Trustee, together with the Owner Participant, shall execute a supplement to this Trust Agreement for the purpose of adding provisions to, or changing or eliminating provisions of, this Trust Agreement (except Section 11.11) as specified in such request, and (ii) the Owner Trustee shall, subject to compliance with the applicable provisions of Article VIII of the Trust Indenture, enter into such written amendment of or supplement to any other Operative Document to which the Owner Trustee is a party as the Indenture Trustee and Lessee (and, in the case of the Purchase Agreement or the Purchase Agreement Assignment, the Manufacturer) may agree to and as may be specified in such request, or execute and deliver such written waiver or modification of or consent under the terms of any such Operative Document as Lessee and, unless the lien of the Trust Indenture has been discharged, the Indenture Trustee may agree to and as may be specified in such request; provided, however, that Lessee may consent to any change order with respect to or other amendment or modification of the Purchase Agreement without the consent or agreement of any other person to the extent provided in the Purchase Agreement Assignment. Notwithstanding the foregoing, except to the extent permitted by Section 9(d) of the Participation Agreement, no supplement to this Trust Agreement or waiver or modification to the terms hereof shall be permitted.

(b) Delivery of Amendments and Supplements to Certain Parties. Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, a signed copy of each amendment or supplement referred to in Section 10.01(a)(i) shall be delivered by the Owner Trustee to the Indenture Trustee without in any way affecting the Trust Indenture or the Certificates and without imposing any duty on the Indenture Trustee with respect to such amendment or supplement.

Section 10.02. Discretion as to Execution of Documents. If in the opinion of the Owner Trustee any document required to be executed pursuant to the terms of

Section 10.01 adversely affects any right, duty, immunity or indemnity in favor of the Owner Trustee hereunder or under any other Operative Document to which the Owner Trustee is a party, the Owner Trustee may in its discretion decline to execute such document.

Section 10.03. Absence of Requirements as to Form. It shall not be necessary for any written request furnished pursuant to Section 10.01 to specify the particular form of the proposed documents to be executed pursuant to such Section, but it shall be sufficient if such request shall indicate the substance thereof.

Section 10.04. Distribution of Documents. Promptly after the execution by the Owner Trustee of any document entered into pursuant to Section 10.01, the Owner Trustee shall mail, by certified mail, postage prepaid, a conformed copy thereof to the Owner Participant, but the failure of the Owner Trustee to mail such conformed copy shall not impair or affect the validity of such document.

Section 10.05. No Request Needed as to Lease Supplements. No written request pursuant to Section 10.01 shall be required to enable the Owner Trustee to enter into any Lease Supplement with Lessee pursuant to Section 3.01 or Section 3.04 or to enter into any Trust Agreement and Indenture Supplement with the Indenture Trustee pursuant to Section 3.01 or Section 3.04.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Termination of Trust Agreement. This Trust Agreement and the trusts created hereby shall terminate and this Trust Agreement shall be of no further force or effect upon the earliest of (a) the later of (x) the final discharge of the Trust Indenture pursuant to Section 10.01 thereof and the sale or other final disposition by the Owner Trustee of all property constituting part of the Trust Estate and the final distribution by the Owner Trustee of all monies or other property or proceeds constituting part of the Trust Estate in accordance with Article IV hereof, provided that at such time Lessee shall have fully complied with all of the terms of the Participation Agreement and the Lease, and (y) the expiration or

termination of the Lease in accordance with its terms, (b) one hundred ten (110) years following the earliest execution of this Trust Agreement by any party hereto (or, without limiting the generality of the foregoing, if legislation shall become effective providing for the validity or permitting the effective grant of such rights, privileges and options for a period in gross, exceeding the period for which such rights, privileges and options are hereinabove stated to extend and be valid), then such rights, privileges or options shall not terminate as aforesaid but shall extend to and continue in effect, but only if such non-termination and extension shall then be valid under applicable law until such time as the same shall under applicable law cease to be valid, whereupon all monies or other property or proceeds constituting part of the Trust Estate shall be distributed in accordance with the terms of Article IV hereof, or (c) the election of the Owner Participant by notice to the Owner Trustee to revoke the trust created hereby; otherwise this Trust Agreement and the trusts created hereby shall continue in full force and effect in accordance with the terms hereof. Notwithstanding the foregoing, the provisions of Section 9(d) of the Participation Agreement shall apply hereto.

Section 11.02. The Owner Participant Has No Legal Title in Trust Estate. The Owner Participant does not have legal title to any part of the Trust Estate. No transfer, by operation of law or otherwise, of any right, title and interest of the Owner Participant in and to the Trust Estate hereunder shall operate to terminate this Trust Agreement or the trusts hereunder or entitle any successors or transferees of the Owner Participant to an accounting or to the transfer of legal title to any part of the Trust Estate.

Section 11.03. Assignment, Sale, etc., of Aircraft. Any assignment, sale, transfer or other conveyance of the Aircraft by the Owner Trustee made pursuant to the terms hereof or of the Lease or the Participation Agreement shall bind the Owner Participant and shall be effective to transfer or convey all right, title and interest of the Owner Trustee and the Owner Participant in and to the Aircraft. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such assignment, sale, transfer or conveyance or as to the application of any sale or other proceeds with respect thereto by the Owner Trustee.

Section 11.04. Trust Agreement for Benefit of Certain Parties Only. Except for the terms of Section 4.01, Article IX, Section 10.01 and Section 11.01 hereof and Section 16(c) of the Participation Agreement incorporated in Article VIII hereof, nothing herein, whether express or implied, shall be construed to give any person other than the Owner Trustee and the Owner Participant any legal or equitable right, remedy or claim under or in respect of this Trust Agreement; but this Trust Agreement shall be held to be for the sole and exclusive benefit of the Owner Trustee and the Owner Participant.

Section 11.05. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all notices shall be in writing, mailed by certified mail, postage prepaid, and (i) if to the Owner Trustee, addressed to it at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-1), (ii) if to the Indenture Trustee, addressed to it at its office at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-1), (iii) if to the Owner Participant, addressed to it at such address as it shall have furnished by notice to the Owner Trustee, or, until an address is so furnished, addressed to it at its address set forth in the Participation Agreement, or (iv) if to Lessee, addressed to it at its address set forth in the Lease, or to any of the above parties at any other address subsequently specified in writing by it to each of the other parties. Whenever any notice in writing is required to be given hereunder by the Owner Trustee or the Owner Participant, such notice shall be deemed given and such requirements satisfied if such notice is mailed by certified mail, postage prepaid, or is sent by telex (confirmed promptly by certified mail, postage prepaid), in each case addressed as provided above.

Section 11.06. Severability. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.07. Waivers, etc. No term or provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing entered into in compliance with the terms of Article X hereof; and any waiver of the terms hereof shall be effective only in the specified instance and for the specific purpose given.

Section 11.08. Counterparts. This Trust Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.09. Binding Effect, etc. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the Owner Trustee and its successors and permitted assigns, and the Owner Participant, its successors and, to the extent permitted by Article VIII, its permitted assigns. Any request, notice, direction, consent, waiver or other instrument or action by the Owner Participant shall bind its successors and permitted assigns.

Section 11.10. Headings; References. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 11.11. Governing Law. This Trust Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of Delaware including all matters of construction, validity and performance.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

WILMINGTON TRUST COMPANY

By /s/ WILLIAM B. SOWDEN, III  
Name: WILLIAM B. SOWDEN, III  
Title: VICE PRESIDENT

AT&T CREDIT CORPORATION

By /s/ MICHAEL A. DEBERNARDI  
Name: MICHAEL A. DEBERNARDI  
Title: VICE PRESIDENT

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FORM OF  
FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-1)  
(Redesignated AA 1995 PTC Series AA)

Dated as of June 15, 1995

between

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION)  
as the Owner Participant

and

WILMINGTON TRUST COMPANY,  
as the Owner Trustee

\_\_\_\_\_

One Boeing 767-323ER Aircraft  
N374AA

Leased to American Airlines, Inc.

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Series AA

## FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-1)

This FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-1), dated as of June 15, 1995, between AT&T CREDIT HOLDINGS, INC. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant") and WILMINGTON TRUST COMPANY, a Delaware banking corporation in its individual capacity as noted and as trustee hereunder (herein in such capacity the "Owner Trustee").

## W I T N E S S E T H:

WHEREAS, the Owner Participant, the Owner Trustee, American Airlines, Inc., a Delaware corporation (the "Lessee"), Trust Company Bank (the "Original Loan Participant"), and NationsBank of Georgia, National Association, a national banking association, as Indenture Trustee (the "Indenture Trustee"), entered into the Participation Agreement (AA 1992 AF-1), dated as of June 15, 1992 (such Participation Agreement being herein called the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft, bearing U.S. registration number N374AA (the "Aircraft");

WHEREAS, the Owner Participant and the Owner Trustee entered into a Trust Agreement (AA 1992 AF-1), dated as of June 15, 1992 (such Trust Agreement, as originally entered into, being herein called the "Trust Agreement"), pursuant to which Trust Agreement the Owner Trustee agreed, among other things, to hold the Trust Estate (as defined in Section 1.01 of the Trust Agreement), which agreement was duly filed with the FAA as an attachment to the Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of June 15, 1992, relating to the Aircraft, together with other attachments thereto, on June 18, 1992, as one document, and assigned Conveyance No. WW41684;

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the Loan Certificates as part of a refunding or refinancing operation, and the Lessee has given its written notice to the Owner Participant and the Owner Trustee pursuant to such Section 20 of its desire to implement such a refunding or refinancing operation; and

Series AA

WHEREAS, in order to effect such refinancing, the Lessee, the Owner Participant, the Owner Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, the Original Loan Participant, the Indenture Trustee and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, and The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, are entering into the Refunding Agreement, dated as of June 2, 1995, and in connection therewith the Owner Participant and the Owner Trustee wish to amend the Trust Agreement by entering into this First Amendment to the Trust Agreement;

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

SECTION 1. Amendment to Section 1.01 of the Trust Agreement.

(a) The definition of "Operative Documents" is amended by adding the words "the Refunding Agreement, the Equipment Notes," after the words "Trust Indenture,".

(b) The definition of "Certificate" is amended to read as follows:

"`Certificate' means the loan certificates substantially in the form set forth in Article II of the Original Indenture and issued under such Indenture to the Original Loan Participant."

(c) The following definitions of "Equipment Notes", "Loan Trustee", "Original Indenture", "Pass Through Trustee", "Refunding Agreement" and "Refunding Date" shall be inserted in Section 1.01 of the Trust Agreement in alphabetical order.

"Equipment Notes" has the meaning set forth in the Trust Indenture.

"Indenture Trustee" means the Loan Trustee.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association.

"Original Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of June 15, 1992, between the Owner Trustee and the Indenture Trustee,

as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-1), dated June 17, 1992.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between American Airlines, Inc. and the Pass Through Trustee, as amended, supplemented or otherwise modified from time to time.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee under the Pass Through Trust Agreement.

"Refunding Agreement" means the Refunding Agreement (AA 1995 PTC Series AA), dated as of June 2, 1995, among the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Original Loan Participant, the Initial Bank Lender, the Loan Trustee and the Pass Through Trustee, as the same may be supplemented, amended or modified from time to time.

"Refunding Date" has the meaning set forth in the Refunding Agreement.

SECTION 2. Amendments of Article III of the Trust Agreement.

(a) Clause (g) of Section 3.04 of the Trust Agreement is hereby amended by deleting the words "Section 5.06 of the Trust Indenture" and substituting therefor the words "Section 5.01(b) of the Trust Indenture".

(b) Article III of the Trust Agreement is hereby amended by adding the following subsection:

"Section 3.07 Authorization and Conditions Precedent in Respect of Refunding. (a) Authorization. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that on the Refunding Date it will, subject to due compliance with the terms of Section 3.07(b) hereof:

(i) enter into the Amended and Restated Indenture (as defined in the Refunding Agreement);

(ii) cancel the Certificates surrendered to it by the Loan Trustee; and

(iii) issue to the Initial Bank Lender and the Pass Through Trustee Equipment Notes in respect of the Aircraft in the amounts and otherwise as provided in the Refunding Agreement and the Trust Indenture;

(b) Conditions Precedent. The right and obligation of the Owner Trustee to take the action required by Sections 3.07(a)(ii) and (iii) hereof shall be subject to the following conditions precedent:

(i) the Owner Trustee shall have been paid the amounts required to be paid to it under Section 1 of the Refunding Agreement; and

(ii) the terms and conditions of Section 3 of the Refunding Agreement shall have been waived or complied with in a manner satisfactory to the Owner Participant."

SECTION 3. Amendment of Article VI to the Trust Agreement.

Clause (iii) of Section 6.02 of the Trust Agreement is hereby amended by deleting the words "Section 4.01 of the Trust Indenture" and substituting therefor the words "Section 4.01(b) of the Trust Indenture".

SECTION 4. Amendment of Article X to the Trust Agreement.

(a) Clause (ii) of Section 10.01(a) of the Trust Agreement is hereby amended by deleting the words "Article VIII of the Trust Indenture" and substituting therefor the words "Article 11 of the Trust Indenture".

(b) Section 10.01(a) of the Trust Agreement is hereby amended by deleting the last sentence thereof in its entirety and substituting therefor the following sentence:

"Notwithstanding the foregoing, (x) except to the extent permitted by Section 9(d) of the Participation Agreement, no supplement to this Trust Agreement or waiver or modification of the terms hereof shall be permitted, and (y) without the consent of the Indenture Trustee, none of Article IV, this Section 10.01(a), Section 11.01 or Section 11.04 shall be amended, and compliance with any provisions thereof shall not be waived by the Owner Trustee, until the

final satisfaction and discharge of the Trust Indenture pursuant to Section 10.01 thereof."

SECTION 5. Amendment of Article XI to the Trust Agreement.

(a) Section 11.01 of the Trust Agreement is hereby amended by adding a new sentence at the end thereof to read as follows:

"Notwithstanding any provision herein to the contrary, the Owner Participant shall not revoke or terminate this Trust Agreement without the consent of the Indenture Trustee until the final satisfaction and discharge of the Trust Indenture pursuant to Section 10.01 thereof. In addition, except as otherwise expressly provided herein, the Owner Participant may not withdraw any part of the Trust Estate subject to the Lien of the Trust Indenture prior to the discharge of such Lien with respect to such part of the Trust Estate pursuant to the Trust Indenture without the consent of the Indenture Trustee."

(b) Section 11.04 of the Trust Agreement is hereby amended by adding the phrase ", the Indenture Trustee" after the words "Owner Trustee" in each place where the words "Owner Trustee" appear in such Section.

SECTION 6. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the respective meaning assigned in the Trust Agreement.

SECTION 7. Ratification. Except as hereby amended, the Trust Agreement shall remain in full force and effect.

SECTION 8. Miscellaneous. This Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or

unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

WILMINGTON TRUST COMPANY

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

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION)

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

=====

TRUST AGREEMENT

(AA 1992 AF-2)

Dated as of July 1, 1992

between

AT&T CREDIT CORPORATION,  
as the Owner Participant

and

WILMINGTON TRUST COMPANY,  
as the Owner Trustee

\_\_\_\_\_

One Boeing 767-323ER Aircraft  
N7375A

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## TRUST AGREEMENT

This TRUST AGREEMENT (AA 1992 AF-2), dated as of July 1, 1992, between AT&T CREDIT CORPORATION, a corporation organized under the laws of the State of Delaware (together with its successors and permitted assigns, the "Owner Participant"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation, in its individual capacity only as expressly stated herein and otherwise not in its individual capacity but solely as trustee hereunder (herein in such capacity with its permitted successors and assigns called the "Owner Trustee"),

W I T N E S S E T H:

## ARTICLE I

## DEFINITIONS AND TERMS

Section 1.01. Certain Definitions. Unless the context shall otherwise require and except as contained in this Section 1.01, capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Lease (as hereinafter defined) for all purposes hereof. All definitions contained in this Section 1.01 shall be equally applicable to both the singular and plural forms of the terms defined. For all purposes of this Trust Agreement the following terms shall have the following meanings:

"Certificate" has the meaning set forth in the Trust Indenture.

"Commitment" of the Owner Participant shall mean the amount which the Owner Participant has committed to pay to the Owner Trustee pursuant to Section 1 of the Participation Agreement as the Owner Participant's participation in the payment of Lessor's Cost.

"Excepted Property" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Estate" has the meaning ascribed to such term in the Trust Indenture.

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"Indenture Event of Default" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Trustee" means NationsBank of Georgia, National Association, and each other Person which may from time to time be acting as indenture trustee under the Trust Indenture.

"Lease" means that certain Lease Agreement (AA 1992 AF-2) (together with the Rent Schedule, except in the case of any reference to the Lease Agreement as filed with the Federal Aviation Administration), dated as of the date hereof, between the Owner Trustee and Lessee, relating to the Aircraft bearing United States registration number N7375A, as said Lease Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms of the Lease and the other Operative Documents. The term "Lease" shall also include each Lease Supplement from time to time entered into pursuant to the terms of the Lease.

"Lease Event of Default" has the meaning ascribed to the term "Event of Default" in the Lease.

"Lessee" means American Airlines, Inc., a Delaware corporation, and its successors and assigns.

"Operative Documents" means each of this Trust Agreement, the Lease, each Lease Supplement, the Trust Indenture, each Trust Agreement and Indenture Supplement, the Certificates, the Purchase Agreement (insofar as it relates to the Aircraft), the Purchase Agreement Assignment, the Bills of Sale and the Participation Agreement.

"Trust Agreement and Indenture Supplement" with respect to the Aircraft means an instrument supplementing the Trust Agreement and the Trust Indenture which identifies such Aircraft and evidences its inclusion in the Trust Estate and the Indenture Estate and is in proper form for filing and recordation pursuant to and in accordance with the requirements of the Federal Aviation Act.

"Trust Estate" means all estate, right, title and interest of the Owner Trustee in and to the Aircraft, the Participation Agreement, the Lease, each Lease Supplement, the Bills of Sale, the Purchase Agreement and the Purchase Agreement Assignment, including, without limitation, all amounts of Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds payable under liability policies to or for the benefit of the Owner Trustee, for its own account or in its individual capacity, or to the Owner Participant or any Affiliate thereof listed as an additional insured) and requisition, indemnity or other payments of any kind for or with respect to the Aircraft including, without limitation, any and all payments and proceeds received by the Owner Trustee after the termination of the Lease with respect to the Aircraft resulting from the sale, lease or other disposition thereof, subject, however, to the provisions of and the lien created by the Trust Indenture. Notwithstanding the foregoing, "Trust Estate" shall include all of the property, rights and interest of the Owner Trustee subject to the Granting Clause of the Trust Indenture but shall not include any Excepted Property.

"Trust Indenture" means that certain Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of the date hereof, between the Indenture Trustee and the Owner Trustee, as the same may be supplemented, amended or modified from time to time.

## ARTICLE II

### AUTHORITY TO EXECUTE CERTAIN OPERATIVE DOCUMENTS; DECLARATION OF TRUST

Section 2.01. Authority to Execute Documents. The Owner Participant hereby authorizes and directs the Owner Trustee (i) to execute and deliver the Trust Indenture, the Trust Agreement and Indenture Supplement covering the Aircraft, the Participation Agreement, the Purchase Agreement Assignment, the Lease, the Lease Supplement covering the Aircraft, the Certificates and any other agreements, instruments or documents, to which the Owner Trustee is a party in the respective forms thereof delivered from time to time by the Owner Participant to the Owner Trustee for execution and delivery, (ii) to execute and deliver all other agreements, instruments and certificates contemplated by the Operative Documents and

(iii) subject to the terms hereof, to exercise its rights (upon instructions received from the Owner Participant) and perform its duties under the documents referred to in clauses (i) and (ii) in accordance with the terms thereof.

Section 2.02. Declaration of Trust. The Owner Trustee hereby declares that it will hold the Trust Estate upon the trusts hereinafter set forth for the use and benefit of the Owner Participant, subject, however, to the provisions of and the lien created under the Trust Indenture.

### ARTICLE III

#### ACCEPTANCE AND DELIVERY OF AIRCRAFT; ISSUANCE OF CERTIFICATES; LEASE OF AIRCRAFT; REPLACEMENT

Section 3.01. Authorization. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that, on the Delivery Date it will, subject to due compliance with the terms of Section 3.02 hereof:

(i) authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees of Lessee) to accept delivery of the Aircraft pursuant to the Participation Agreement;

(ii) execute and deliver each of the Operative Documents to which the Owner Trustee is to be a party and a Trust Agreement and Indenture Supplement covering the Aircraft;

(iii) purchase the Aircraft pursuant to the Participation Agreement and accept from Lessee the delivery of the Bills of Sale (as defined in the Participation Agreement);

(iv) pay an amount equal to Lessor's Cost to Lessee pursuant to the Participation Agreement in consideration of the sale of the Aircraft by Lessee to the Owner Trustee thereunder;

(v) make application to the Federal Aviation Administration for registration of the Aircraft in the name of the Owner Trustee;

(vi) issue to the Original Loan Participant a Certificate in respect of the Aircraft in the amount and otherwise as provided in the Participation Agreement and the Trust Indenture;

(vii) execute and deliver the financing statements contemplated by Section 4(F) of the Participation Agreement;

(viii) take such other action as may be required of the Owner Trustee hereunder or under the Participation Agreement, the Trust Indenture or the Lease or any of the other Operative Documents to effectuate the transactions contemplated thereby; and

(ix) execute and deliver all such other instruments, documents or certificates and take all such other actions in accordance with the directions of the Owner Participant, as the Owner Participant may deem necessary or advisable in connection with the transactions contemplated hereby.

Section 3.02. Conditions Precedent. The right and obligation of the Owner Trustee to take the action required by Section 3.01 hereof shall be subject to the following conditions precedent:

(a) the Owner Participant shall have made the full amount of its Commitment with respect to the Aircraft available to the Owner Trustee, in immediately available funds, in accordance with Section 2(a) of the Participation Agreement; and

(b) the terms and conditions of Section 4 of the Participation Agreement, insofar as they relate to the Aircraft, have been waived or complied with in a manner satisfactory to the Owner Participant.

Section 3.03. Postponement of Delivery Date. The Owner Trustee, without necessity of further instructions from the Owner Participant, is hereby authorized and directed by the Owner Participant to take all action specified in Section 5 of the Participation Agreement as action to be taken by the Owner Trustee.

Section 3.04. Authorization in Respect of a Replacement Aircraft or Replacement Engines. The Owner

Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, in the event of a Replacement Airframe and Replacement Engines, if any, being substituted pursuant to Section 10(a) of the Lease, or a Replacement Engine being substituted pursuant to Section 9(g) or 10(b) of the Lease, subject to due compliance with the terms of Section 9(g), 10(a) or 10(b) of the Lease, as the case may be:

(a) to the extent not previously accomplished by a prior authorization, authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees of Lessee) to accept delivery of the Replacement Airframe and Replacement Engines, if any, or any Replacement Engine;

(b) accept from Lessee or other vendor of the Replacement Airframe and Replacement Engines, if any, or any Replacement Engine a bill of sale or bills of sale (if tendered) and the invoice, if any, with respect to the Replacement Airframe and Replacement Engines, if any, or the Replacement Engine being furnished pursuant to Section 9(g), 10(a) or (b) of the Lease;

(c) in the case of a Replacement Airframe, make application to the Federal Aviation Administration for the registration in the name of the Owner Trustee of the Aircraft of which such Replacement Airframe is a part;

(d) execute and deliver a Lease Supplement and a Trust Agreement and Indenture Supplement covering (i) the Aircraft of which such Replacement Airframe and Replacement Engines, if any, is part or (ii) such Replacement Engine, as the case may be;

(e) transfer its interest in (without recourse except as to obligations in respect of Lessor's Liens) and to the Airframe and Engines (if any) or the Engine being replaced to Lessee;

(f) request in writing that the Indenture Trustee execute and deliver to Lessee appropriate instruments to release the Airframe and Engines or engines (if any) or the Engine or engine being replaced from the lien created under the Trust Inden-

ture and release the Purchase Agreement and the Purchase Agreement Assignment (solely with respect to such replaced Airframe and Engines, if any, or Engine) from the assignment and pledge under the Trust Indenture; and

(g) take such further action as may be contemplated by clauses (A) through (I) of the third full paragraph of Section 10(a) of the Lease or clauses (i) through (viii) of Section 10(b) of the Lease, or Section 5.06 of the Trust Indenture, as the case may be.

Section 3.05. Trust Agreement Remaining in Full Force and Effect. In the event of the substitution of a Replacement Aircraft for the Aircraft or the substitution of a Replacement Engine for any Engine or engine, all provisions of this Trust Agreement relating to such replaced Aircraft or Engine or engine shall be applicable to such Replacement Aircraft or Replacement Engine with the same force and effect as if such Replacement Aircraft or Replacement Engine were the same aircraft or engine as the Aircraft or Engine being replaced but for the Event of Loss with respect to such Aircraft or Engine.

Section 3.06. Authorization in Respect of a Return of an Engine. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, in the event of an engine being transferred to the Owner Trustee pursuant to Section 5(b) of the Lease, subject to due compliance with the terms of such Section 5(b):

(a) accept from Lessee the bill of sale contemplated by such Section 5(b) with respect to such engine being transferred to the Owner Trustee pursuant to such Section 5(b);

(b) transfer its interest in (without recourse except as to obligations in respect of Lessor's Liens) and to an Engine to Lessee as contemplated by such Section 5(b); and

(c) request in writing that the Indenture Trustee execute and deliver to Lessee appropriate instruments to release the Engine being transferred to Lessee pursuant to such Section 5(b) from the

lien of the Trust Indenture and to release the Purchase Agreement and the Purchase Agreement Assignment (solely with respect to such Engine) from the assignment and pledge under the Trust Indenture.

#### ARTICLE IV

##### RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE TRUST ESTATE

Section 4.01. Distribution of Payments. (a) Payments to the Indenture Trustee. Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, all Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds specified in Section 4.01(e)) and requisition, indemnity or other payments of any kind included in the Trust Estate (other than Excepted Property) shall be payable directly to the Indenture Trustee (and if any of the same are received by the Owner Trustee, such amounts shall upon receipt be paid over to the Indenture Trustee without deduction, set-off or adjustment of any kind) for distribution in accordance with the provisions of Article III of the Trust Indenture; provided, however, that any payments received by the Owner Trustee from (i) Lessee or the Owner Participant with respect to the Owner Trustee's fees and disbursements, or (ii) the Owner Participant pursuant to Article VII hereof shall not be paid over to the Indenture Trustee but shall be retained by the Owner Trustee and applied toward the purpose for which such payments were made.

(b) Payments to the Owner Trustee; Other Parties. Any payment of the type referred to in paragraph (a) of this Section 4.01 (other than Excepted Property) received by the Owner Trustee, any payments received other than as specified in Section 4.01(d) or 4.01(e) and any other amounts received as part of the Trust Estate and for the application or distribution of which no provision is made herein, for or with respect to the Aircraft or otherwise (i) from the Indenture Trustee or (ii) from any Person, after the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, shall, subject to subsection (c) hereof, be distributed forthwith upon receipt by the Owner Trustee in the following order of priority: first, so much of such payment as shall be required to pay or reimburse the Owner Trustee

for any fees or expenses not otherwise paid or reimbursed as to which the Owner Trustee is entitled to be so paid or reimbursed pursuant to the provisions hereof or of the Trust Indenture shall be retained by the Owner Trustee; second, so much of the remainder for which provision as to the application thereof is contained in the Lease or any of the other Operative Documents shall be applied and distributed in accordance with the terms of the Lease or such other Operative Document; and third, the balance, if any, shall be paid to the Owner Participant.

(c) Certain Distributions to Lessee. After the Trust Indenture shall have been discharged pursuant to Sections 10.01 thereof, any payment of the type referred to in paragraph (a) of this Section 4.01 received by the Owner Trustee with respect to such Aircraft shall, if required by the terms of the Lease, be distributed to Lessee. Any such payment which would be required to be made to Lessee pursuant to the terms of the Lease or the Participation Agreement, but is not made due to the occurrence and continuation of a Lease Event of Default, shall be held and invested by the Owner Trustee pursuant to Section 25 of the Lease as further security for the obligations of Lessee under the Lease, and at such time as there shall not be continuing any Lease Event of Default, such payment shall be made to Lessee.

(d) Excepted Property. Any Excepted Property received by the Owner Trustee shall be paid by the Owner Trustee to the person to whom such Excepted Property is payable under the provisions of the Participation Agreement, the Tax Indemnity Agreement or the Lease.

(e) Insurance Proceeds. Any proceeds of any insurance for loss or damage to the Aircraft in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee. Any proceeds of any insurance for loss or damage to the Aircraft not constituting an Event of Loss with respect to the Airframe, the Aircraft or any Engine received by the Owner Trustee shall be applied as provided in Section 11(b) of the Lease.

Section 4.02. Method of Payments. The Owner Trustee shall make distributions or cause distributions to be made to (i) the Owner Participant pursuant to this Article IV by transferring by wire transfer in immediately available funds the amount to be distributed to such account or accounts of the Owner Participant as it may

designate from time to time by written notice to the Owner Trustee (and the Owner Trustee shall use reasonable efforts to cause such funds to be transferred by wire transfer on the same day as received, but in any case not later than the next succeeding Business Day), and (ii) the Indenture Trustee pursuant to this Article IV by paying the amount to be distributed to the Indenture Trustee in the manner specified in the Trust Indenture; provided, however, that the Owner Trustee shall invest overnight, for the benefit of the Owner Participant, in investments that would be permitted by Section 25 of the Lease (but only to the extent such investments are available and, if such investments are not available, then in such other investments available to the Owner Trustee which, after consultation with the Owner Participant, the Owner Participant shall direct) all funds not transferred by wire transfer on the same day as they were received. Notwithstanding the foregoing but subject always to the provisions of and lien created by the Trust Indenture, the Owner Trustee will, if so requested by the Owner Participant by written notice, pay any and all amounts payable by the Owner Trustee hereunder to the Owner Participant either (i) by crediting, or causing the Indenture Trustee to credit, such amount or amounts to an account or accounts maintained by the Owner Participant with the Owner Trustee in its individual capacity or with the Indenture Trustee, as the case may be, in immediately available funds, or (ii) by mailing, or causing the Indenture Trustee to mail, an official bank check or checks in such amount or amounts payable to the Owner Participant at such address as the Owner Participant shall have designated in writing to the Owner Trustee.

## ARTICLE V

### DUTIES OF THE OWNER TRUSTEE

Section 5.01. Notice of Event of Default. If the Owner Trustee shall have knowledge of a Lease Event of Default or an Indenture Event of Default (or an event that, with the passage of time or the giving of notice or both, would constitute a Lease Event of Default or an Indenture Event of Default), the Owner Trustee shall give to the Owner Participant and Lessee prompt telephonic or telex notice thereof followed by prompt confirmation thereof by certified mail, postage prepaid. Subject to the terms of Section 5.03, the Owner Trustee shall take

such action or shall refrain from taking such action, not inconsistent with the provisions of the Operative Documents, with respect to such Lease Event of Default or Indenture Event of Default or event as the Owner Trustee shall be directed in writing by the Owner Participant. For all purposes of this Trust Agreement and the Lease, the Owner Trustee shall not be deemed to have knowledge of a Lease Event of Default or an Indenture Event of Default or an event that, with the passage of time or the giving of notice or both, would constitute a Lease Event of Default or an Indenture Event of Default unless notified in writing thereof in the manner and at the address set forth in Section 11.05 or unless an officer in the Corporate Trust Administration of the Owner Trustee has actual knowledge thereof.

Section 5.02. Action Upon Instructions. Subject in all respects to the terms of Sections 5.01 and 5.03 and to the terms of the other Operative Documents, upon the written instructions at any time and from time to time of the Owner Participant, the Owner Trustee will take such of the following actions as may be specified in such instructions: (i) give such notice or direction or exercise such right, remedy or power hereunder or under any of the Operative Documents to which the Owner Trustee is a party, or in respect of all or any part of the Trust Estate, as shall be specified in such instructions; (ii) take such action to preserve or protect the Trust Estate (including the discharge of any liens or encumbrances) as may be specified in such instructions; (iii) approve as satisfactory to it all matters required by the terms of the Lease and the other Operative Documents to be satisfactory to the Owner Trustee, it being understood that without written instructions of the Owner Participant, the Owner Trustee shall not approve any such matter as satisfactory to it; and (iv) subject to the rights of Lessee under the Operative Documents, after the expiration or earlier termination of the Lease, convey all of the Owner Trustee's right, title and interest in and to the Aircraft for such amount, on such terms and to such purchaser or purchasers as shall be designated in such instructions, or lease the Aircraft on a net lease basis on such terms as shall be set forth in such instructions or deliver the Aircraft to the Owner Participant in accordance with such instructions. In the event that the Owner Trustee is unsure of the application of any provision of this Trust Agreement or any other agreement relating to the transactions contemplated hereby, the Owner Trustee

may request and rely upon instructions of the Owner Participant.

Section 5.03. Indemnification. The Owner Trustee shall not be required to take or refrain from taking any action under Section 5.01 or 5.02 (other than the giving of notices required of the Owner Trustee therein) unless the Owner Trustee shall have been indemnified by the Owner Participant, in manner and form satisfactory to the Owner Trustee, against any liability, cost or expense (including reasonable counsel fees and disbursements) which may be incurred in connection therewith; and, if the Owner Participant shall have directed the Owner Trustee to take or refrain from taking any such action, the Owner Participant agrees to furnish such indemnity as shall be required and, in addition (to the extent not otherwise paid pursuant to the Participation Agreement or the Lease), to pay the reasonable fees and charges of the Owner Trustee for the services performed or to be performed by it pursuant to such direction. The Owner Trustee shall not be required to take any action under Section 5.01 or 5.02 if the Owner Trustee shall reasonably determine, or shall have been advised by counsel, that such action is contrary to the terms of any of the Operative Documents to which the Owner Trustee is a party, or is otherwise contrary to law.

Section 5.04. No Duties Except as Specified in Trust Agreement or Instructions. The Owner Trustee shall not have any duty or obligation to manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate, or otherwise to take or refrain from taking any action under, or in connection with any of the Operative Documents to which the Owner Trustee is a party, except as expressly required by the terms of any of the Operative Documents to which the Owner Trustee is a party, or (to the extent not inconsistent with the provisions of the Trust Indenture) as expressly provided by the terms hereof or in written instructions from the Owner Participant received pursuant to the terms of Section 5.01 or 5.02, and no implied duties or obligations shall be read into this Trust Agreement against the Owner Trustee. The Owner Trustee nevertheless agrees that it will, in its individual capacity and at its own cost and expense (but without any right of indemnity in respect of any such cost or expense under Section 7.01) promptly take such action as may be necessary duly to discharge and satisfy in full (i) all Lessor's Liens attributable to the

Owner Trustee in its individual capacity, (ii) any Liens (other than Lessor's Liens attributable to it in its individual capacity) created as a result of its breach of any of its obligations under this Trust Agreement (subject to the limitations on the liability of the Owner Trustee in its individual capacity set forth in Section 6.01) on any part of the Trust Estate, or on any properties of the Owner Trustee assigned, pledged or mortgaged as part of the Trust Estate, which arise from acts of the Owner Trustee in its individual capacity, except the lien created under the Trust Indenture, the rights of Lessee under the Lease and the rights of the Owner Participant hereunder, and (iii) any other liens or encumbrances attributable to the Owner Trustee in its individual capacity on any part of the Trust Estate which result from claims against the Owner Trustee in its individual capacity unrelated to the ownership of the Aircraft, the administration of the Trust Estate or the transactions contemplated by the Operative Documents.

Section 5.05. No Action Except Under Specified Documents or Instructions. The Owner Trustee shall have no power or authority to, and the Owner Trustee agrees that it will not, manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate except (i) as expressly required by the terms of any of the Operative Documents to which the Owner Trustee is a party, (ii) as expressly provided by the terms hereof, or (iii) as expressly provided in written instructions from the Owner Participant pursuant to Section 5.01 or 5.02, but subject always to the provisions of, and the lien created by, the Trust Indenture.

## ARTICLE VI

### THE OWNER TRUSTEE

Section 6.01. Acceptance of Trusts and Duties. The Owner Trustee in its individual capacity accepts the trusts hereby created and agrees to perform the same but only upon the terms hereof applicable to it. The Owner Trustee in its individual capacity also agrees to receive and disburse all monies received by it constituting part of the Trust Estate upon the terms hereof. The Owner Trustee, in its individual capacity, shall not be answerable or accountable under any circumstances, except for (i) its own willful misconduct or gross negligence,

(ii) its performance of the terms of the last sentence of Section 5.04, (iii) its failure to use ordinary care in receiving or disbursing funds, (iv) liabilities that may result from the inaccuracy of any representation or warranty of the Owner Trustee in its individual capacity (or from the failure by the Owner Trustee in its individual capacity to perform any covenant made in its individual capacity) in Section 6.03, or in any of the Operative Documents to which the Owner Trustee is a party, and (v) taxes, fees or other charges on, based on or measured by any fees, commissions or other compensation received by the Owner Trustee as compensation for its services rendered as the Owner Trustee; provided, however, that the failure to act or perform in the absence of instructions after the Owner Trustee has requested instructions from the Owner Participant pursuant to the last sentence of Section 5.02 shall not constitute willful misconduct or gross negligence for purposes of clause (i) of this Section 6.01.

Section 6.02. Absence of Certain Duties. Except in accordance with written instructions furnished pursuant to Section 5.01, 5.02 and except as provided in, and without limiting the generality of, Section 5.04 and the last sentence of Section 9.01(b), the Owner Trustee shall have no duty (i) to see to any registration of the Aircraft or any recording or filing of the Lease, this Trust Agreement, the Trust Indenture or of any supplement to any thereof or to see to the maintenance of any such registration, rerecording or refiling, except that the Owner Trustee shall notify the Federal Aviation Administration of changes in its mailing address pursuant to 14 C.F.R. Section 47.45 and the Owner Trustee shall (x) take such other action as may be required of the Owner Trustee to maintain the registration of the Aircraft in the name of the Owner Trustee under the Federal Aviation Act or, to the extent the Aircraft is registered in a country other than the United States pursuant to Section 7 of the Lease, other applicable law and (y) to the extent that information for that purpose is supplied by Lessee pursuant to any of the Operative Documents, complete and timely submit any and all reports relating to the Aircraft which may from time to time be required by the Federal Aviation Administration or any government or governmental authority having jurisdiction over the Aircraft, (ii) to see to any insurance on the Aircraft or to effect or maintain any such insurance, whether or not Lessee shall be in default with respect thereto, other than to forward

to the Owner Participant copies of all reports and other information which the Owner Trustee receives from Lessee pursuant to Section 11 of the Lease, (iii) to see to the payment or discharge of any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to or assessed or levied against any part of the Trust Estate except as provided by Section 9(c) of the Participation Agreement and Section 4.01 of the Trust Indenture, (iv) to confirm or verify any financial statements of Lessee or (v) to inspect the Aircraft or Lessee's books and records with respect to the Aircraft.

Section 6.03. No Representations or Warranties as to Certain Matters. THE OWNER TRUSTEE IN ITS INDIVIDUAL CAPACITY OR AS THE OWNER TRUSTEE DOES NOT MAKE AND SHALL NOT BE DEEMED TO HAVE MADE (a) ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, WORKMANSHIP, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY ENGINE THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE WHATSOEVER, except that the Owner Trustee in its individual capacity warrants that on the Delivery Date the Owner Trustee has received whatever title to the Aircraft was conveyed to it by Lessee and shall be in compliance with the last sentence of Section 5.04 hereof and that the Aircraft shall during the Term be free of Lessor's Liens attributable to it in its individual capacity, or (b) any representation or warranty as to the validity, legality or enforceability of this Trust Agreement or any other Operative Document to which the Owner Trustee is a party, or any other document or instrument, or as to the correctness of any statement contained in any thereof except to the extent that any such statement is expressly made herein or therein as a representation by the Owner Trustee in its individual capacity and except that the Owner Trustee in its individual capacity hereby represents and warrants that this Trust Agreement has been, and (assuming the due authorization, execution and delivery of this Trust Agreement by the Owner Participant) the Operative Documents to which the Owner Trustee is a party have been (or at the time of execution and delivery of any such instrument by the Owner

Trustee hereunder or pursuant to the terms of the Participation Agreement that such an instrument will be) duly executed and delivered by one of its officers who is or will be, as the case may be, duly authorized to execute and deliver such instruments on behalf of the Owner Trustee and that this Trust Agreement has been duly authorized, executed and delivered by the institution acting as the Owner Trustee and constitutes the legal, valid and binding obligation of such institution enforceable against it in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

Section 6.04. No Segregation of Monies Required; Investment Thereof. Monies received by the Owner Trustee hereunder need not be segregated in any manner except to the extent required by law, and may be deposited under such general conditions as may be prescribed by law, and shall be invested as provided in Section 4.02 hereof or Section 25 of the Lease.

Section 6.05. Reliance Upon Certificates, Counsel and Agents. The Owner Trustee shall incur no liability to anyone in acting in reliance upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it to be genuine and reasonably believed by it to be signed by the proper party or parties. Unless other evidence in respect thereof is specifically prescribed herein, any request, direction, order or demand of the Owner Participant, Lessee or the Indenture Trustee mentioned herein or in any of the other Operative Documents to which the Owner Trustee is a party shall be sufficiently evidenced by written instruments signed by a person purporting to be an officer of the Owner Participant, Lessee or the Indenture Trustee, as the case may be. The Owner Trustee may accept a copy of a resolution of the Board of Directors of Lessee, the Owner Participant or the Indenture Trustee, as the case may be, certified by the Secretary or an Assistant Secretary of Lessee, the Owner Participant or the Indenture Trustee, as the case may be, as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted by said Board and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically described herein, the Owner Trustee may for all purposes

hereof rely on a certificate signed by an officer of Lessee or the Owner Participant or the Indenture Trustee, as the case may be, as to such fact or matter, and such certificate shall constitute full protection to the Owner Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon.

Section 6.06. Not Acting in Individual Capacity. In acting hereunder, the Owner Trustee acts solely as trustee and not in its individual capacity except as otherwise expressly provided herein; and, except as may be otherwise expressly provided in this Trust Agreement, the Lease, the Participation Agreement or the Trust Indenture, all persons having any claim against the Owner Trustee by reason of the transactions contemplated hereby shall look only to the Trust Estate for payment or satisfaction thereof.

Section 6.07. Fees; Compensation. Except as provided in Section 4.01(b), 5.03, 6.08 or 7.01, the Owner Trustee agrees that it shall have no right against the Owner Participant or (subject to the provisions of the Trust Indenture) the Trust Estate for any fee as compensation for its services hereunder.

Section 6.08. Tax Returns. The Owner Trustee shall be responsible for the keeping of all appropriate books and records relating to the receipt and disbursement by it of all monies under this Trust Agreement or any agreement contemplated hereby. The Owner Participant shall be responsible for causing to be prepared and filed, at its expense, all income tax returns required to be filed by the Owner Participant. The Owner Trustee shall be responsible for causing to be prepared, at the request of the Owner Participant, all income tax returns required to be filed with respect to the trust created hereby and shall execute and file such returns. The Owner Participant, upon request, will furnish the Owner Trustee with all such information as may be reasonably required from the Owner Participant in connection with the preparation of such income tax returns.

## ARTICLE VII

INDEMNIFICATION OF THE OWNER TRUSTEE  
BY THE OWNER PARTICIPANT

Section 7.01. The Owner Participant to Indemnify the Owner Trustee. The Owner Participant hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and does hereby indemnify, protect, save and keep harmless the Owner Trustee in its individual capacity, and its successors, assigns, legal representatives, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, taxes (excluding any taxes payable by the Owner Trustee in its individual capacity on or measured by any compensation received by the Owner Trustee in its individual capacity for its services hereunder), claims, actions or suits or reasonable costs, expenses or disbursements (including, without limitation, reasonable legal fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Owner Trustee in its individual capacity (whether or not also indemnified against by Lessee under the Lease or under the Participation Agreement or also indemnified against by the Manufacturer or any other Person) in any way relating to or arising out of this Trust Agreement or any of the Operative Documents or the enforcement of any of the terms of any thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of the Aircraft or any Engine (including, without limitation, latent and other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Estate or the action or inaction of the Owner Trustee hereunder, except (a) in the case of willful misconduct or gross negligence on the part of the Owner Trustee either as trustee or in its individual capacity in the performance or nonperformance of its duties hereunder or (b) those resulting from the inaccuracy of any representation or warranty of the Owner Trustee in its individual capacity (or from the failure of the Owner Trustee in its individual capacity to perform any covenant) in Section 6.03, or in any of the Operative Documents, or (c) those arising or resulting from any of the matters described in the last sentence of Section 6.01, or (d) those resulting from

its failure to perform the terms of the last sentence of Section 5.04 hereof or from the failure to use ordinary care in the receipt and disbursement of funds. The indemnities contained in this Section 7.01 extend to the Owner Trustee only in its individual capacity and shall not be construed as indemnities of the Indenture Estate or the Trust Estate (except to the extent, if any, that the Owner Trustee has been reimbursed by Lessee pursuant to the Lease for amounts covered by the indemnities contained in this Section 7.01). The indemnities contained in this Section 7.01 shall survive the termination of this Trust Agreement. In addition, if necessary, the Owner Trustee shall be entitled to indemnification from the Trust Estate, subject however to the provisions of Section 4.01 hereof and the lien created under the Trust Indenture, for any liability, obligation, loss, damage, penalty, tax, claim, action, suit, cost, expense or disbursement indemnified against pursuant to this Section 7.01 to the extent not reimbursed by Lessee, the Owner Participant or others, but without releasing any of them from their respective agreements of reimbursement; and to secure the same the Owner Trustee shall have a lien on the Trust Estate, subject however to the provisions of Section 4.01 hereof and the lien created under the Trust Indenture, which lien of the Owner Trustee shall be prior to any interest therein of the Owner Participant.

#### ARTICLE VIII

##### TRANSFER OF THE OWNER PARTICIPANT'S INTEREST

Section 8.01. Transfer of Interest. All provisions of Section 16(c) of the Participation Agreement shall (with the same force and effect as if set forth in full, mutatis mutandis, in this Section 8.01) be applicable to any assignment, conveyance or other transfer by the Owner Participant of its right, title or interest in and to this Trust Agreement or any of the Operative Documents to which the Owner Trustee is a party or any proceeds therefrom.

## ARTICLE IX

## SUCCESSOR OWNER TRUSTEES; CO-TRUSTEES

Section 9.01. Resignation of the Owner Trustee; Appointment of Successor. (a) Resignation or Removal. The Owner Trustee or any successor Owner Trustee may resign at any time without cause by giving at least 60 days' prior written notice to the Owner Participant, the Indenture Trustee and Lessee, such resignation to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b). In addition, subject to Section 9(d) of the Participation Agreement, the Owner Participant may at any time remove the Owner Trustee without cause by a notice in writing delivered to the Owner Trustee, the Indenture Trustee and Lessee, such removal to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b). In the case of the resignation or removal of the Owner Trustee, subject to Section 9(d) of the Participation Agreement, the Owner Participant may appoint a successor Owner Trustee by an instrument in writing signed by the Owner Participant. If a successor Owner Trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Owner Trustee, Lessee or the Indenture Trustee may apply to any court of competent jurisdiction to appoint a successor Owner Trustee to act until such time, if any, as a successor shall have been appointed as above provided. Any successor Owner Trustee so appointed by such court shall immediately and without further act be superseded by any successor Owner Trustee appointed as above provided within one year from the date of the appointment by such court.

(b) Execution and Delivery of Documents, etc. Any successor Owner Trustee, however appointed, shall execute and deliver to the predecessor Owner Trustee an instrument accepting such appointment, and thereupon such successor Owner Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties and trusts of the predecessor Owner Trustee in the trusts hereunder with like effect as if originally named the Owner Trustee herein; but nevertheless, upon the written request of such successor Owner Trustee, such predecessor Owner Trustee shall execute and deliver an instrument transferring to such successor Owner Trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of such predecessor Owner Trust-

ee, and such predecessor Owner Trustee shall duly assign, transfer, deliver and pay over to such successor Owner Trustee all monies or other property then held by such predecessor Owner Trustee upon the trusts herein expressed. Upon the appointment of any successor Owner Trustee hereunder, the predecessor Owner Trustee will complete, execute and deliver to the successor Trustee such documents as are necessary to cause registration of the Aircraft included in the Trust Estate to be transferred upon the records of the Federal Aviation Administration, or other governmental authority having jurisdiction, into the name of the successor Owner Trustee.

(c) Qualification. Any successor Owner Trustee, however appointed, shall be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act, and shall also be a bank or trust company organized under the laws of the United States or any state thereof having a combined capital and surplus of at least \$100,000,000 (or having a combined capital and surplus of at least \$25,000,000 and the obligations of which are guaranteed by a corporation or a bank or trust company having a combined capital and surplus of at least \$100,000,000), if there be such an institution willing, able and legally qualified to perform the duties of the Owner Trustee hereunder upon reasonable and customary terms.

(d) Merger, etc. Any corporation into which the Owner Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Owner Trustee shall be a party, or any corporation to which substantially all the corporate trust business of the Owner Trustee may be transferred, shall, subject to the terms of Section 9.01(c), be the Owner Trustee hereunder without further act.

Section 9.02. Co-Trustees and Separate Trustees. If at any time or times it shall be necessary or prudent in order to conform to any applicable law of any jurisdiction in which all or any part of the Trust Estate is located, or the Owner Trustee shall be advised by counsel that it is so necessary or prudent in the interest of the Owner Participant or the Owner Trustee, or the Owner Trustee shall have been directed to do so by the Owner Participant, the Owner Trustee and the Owner Participant shall, subject to Section 9(d) of the Participation Agree-

ment, execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to constitute another bank or trust company or one or more persons (any and all of which shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act) approved by the Owner Trustee, Lessee and the Owner Participant, either to act as co-trustee or co-trustees, jointly with the Owner Trustee, or to act as separate trustee or trustees hereunder (any such co-trustee or separate trustee being herein sometimes referred to as an "additional trustee"). In the event (i) the Owner Participant shall not have joined in the execution of such agreements supplemental hereto within ten days after the receipt of a written request from the Owner Trustee so to do, or (ii) a Lease Event of Default shall occur and be continuing, the Owner Trustee may act under the foregoing provisions of this Section 9.02 without the concurrence of the Owner Participant; and the Owner Participant hereby appoints the Owner Trustee its agent and attorney-in-fact to act for it under the foregoing provisions of this Section 9.02 in either of such contingencies.

Every additional trustee hereunder shall, to the extent permitted by law, be appointed and act, and the Owner Trustee and its successors shall act, subject to the following provisions and conditions:

(A) all powers, duties, obligations and rights conferred upon the Owner Trustee in respect of the custody, control and management of monies, the Aircraft or documents authorized to be delivered hereunder shall be exercised solely by the corporation designated as the Owner Trustee in the first paragraph of this Trust Agreement, or its successors as the Owner Trustee hereunder;

(B) all other rights, powers, duties and obligations conferred or imposed upon the Owner Trustee shall be conferred or imposed upon and exercised or performed by the corporation designated as the Owner Trustee in the first paragraph of this Trust Agreement or its successor as the Owner Trustee, and such additional trustee or trustees jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed (including the holding of title to the Trust Estate), the Owner Trustee shall be incompetent or unqualified

to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such additional trustee or trustees;

(C) no power given to, or which it is provided hereby may be exercised by, any such additional trustee or trustees shall be exercised hereunder by such additional trustee or trustees, except jointly with, or with the consent in writing of, the corporation designated as the Owner Trustee in this Trust Agreement or its successor as the Owner Trustee, anything herein contained to the contrary notwithstanding;

(D) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder;

(E) subject to Section 9(d) of the Participation Agreement, the Owner Participant, at any time, by an instrument in writing may remove any such additional trustee. In the event that the Owner Participant shall not have joined in the execution of any such instrument within ten days after the receipt of a written request from the Owner Trustee so to do, the Owner Trustee shall have the power to remove any such additional trustee without the concurrence of the Owner Participant; and the Owner Participant hereby appoints the Owner Trustee its agent and attorney-in-fact to act for it in such connection in such contingency; and

(F) no appointing of, or action by, any additional trustee will relieve the Owner Trustee of any of its obligations under, or otherwise affect any of the terms of the Trust Indenture or affect the interests of the Indenture Trustee or the holders of the Certificates in the Trust Estate.

## ARTICLE X

SUPPLEMENTS AND AMENDMENTS TO TRUST AGREEMENT  
AND OTHER DOCUMENTS

## Section 10.01. Supplements and Amendments.

(a) Supplements and Amendments. At any time and from time to time, upon the written request of the Owner Participant, (i) the Owner Trustee, together with the Owner Participant, shall execute a supplement to this Trust Agreement for the purpose of adding provisions to, or changing or eliminating provisions of, this Trust Agreement (except Section 11.11) as specified in such request, and (ii) the Owner Trustee shall, subject to compliance with the applicable provisions of Article VIII of the Trust Indenture, enter into such written amendment of or supplement to any other Operative Document to which the Owner Trustee is a party as the Indenture Trustee and Lessee (and, in the case of the Purchase Agreement or the Purchase Agreement Assignment, the Manufacturer) may agree to and as may be specified in such request, or execute and deliver such written waiver or modification of or consent under the terms of any such Operative Document as Lessee and, unless the lien of the Trust Indenture has been discharged, the Indenture Trustee may agree to and as may be specified in such request; provided, however, that Lessee may consent to any change order with respect to or other amendment or modification of the Purchase Agreement without the consent or agreement of any other person to the extent provided in the Purchase Agreement Assignment. Notwithstanding the foregoing, except to the extent permitted by Section 9(d) of the Participation Agreement, no supplement to this Trust Agreement or waiver or modification to the terms hereof shall be permitted.

(b) Delivery of Amendments and Supplements to Certain Parties. Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, a signed copy of each amendment or supplement referred to in Section 10.01(a)(i) shall be delivered by the Owner Trustee to the Indenture Trustee without in any way affecting the Trust Indenture or the Certificates and without imposing any duty on the Indenture Trustee with respect to such amendment or supplement.

Section 10.02. Discretion as to Execution of Documents. If in the opinion of the Owner Trustee any document required to be executed pursuant to the terms of

Section 10.01 adversely affects any right, duty, immunity or indemnity in favor of the Owner Trustee hereunder or under any other Operative Document to which the Owner Trustee is a party, the Owner Trustee may in its discretion decline to execute such document.

Section 10.03. Absence of Requirements as to Form. It shall not be necessary for any written request furnished pursuant to Section 10.01 to specify the particular form of the proposed documents to be executed pursuant to such Section, but it shall be sufficient if such request shall indicate the substance thereof.

Section 10.04. Distribution of Documents. Promptly after the execution by the Owner Trustee of any document entered into pursuant to Section 10.01, the Owner Trustee shall mail, by certified mail, postage prepaid, a conformed copy thereof to the Owner Participant, but the failure of the Owner Trustee to mail such conformed copy shall not impair or affect the validity of such document.

Section 10.05. No Request Needed as to Lease Supplements. No written request pursuant to Section 10.01 shall be required to enable the Owner Trustee to enter into any Lease Supplement with Lessee pursuant to Section 3.01 or Section 3.04 or to enter into any Trust Agreement and Indenture Supplement with the Indenture Trustee pursuant to Section 3.01 or Section 3.04.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Termination of Trust Agreement. This Trust Agreement and the trusts created hereby shall terminate and this Trust Agreement shall be of no further force or effect upon the earliest of (a) the later of (x) the final discharge of the Trust Indenture pursuant to Section 10.01 thereof and the sale or other final disposition by the Owner Trustee of all property constituting part of the Trust Estate and the final distribution by the Owner Trustee of all monies or other property or proceeds constituting part of the Trust Estate in accordance with Article IV hereof, provided that at such time Lessee shall have fully complied with all of the terms of the Participation Agreement and the Lease, and (y) the expiration or

termination of the Lease in accordance with its terms, (b) one hundred ten (110) years following the earliest execution of this Trust Agreement by any party hereto (or, without limiting the generality of the foregoing, if legislation shall become effective providing for the validity or permitting the effective grant of such rights, privileges and options for a period in gross, exceeding the period for which such rights, privileges and options are hereinabove stated to extend and be valid), then such rights, privileges or options shall not terminate as aforesaid but shall extend to and continue in effect, but only if such non-termination and extension shall then be valid under applicable law until such time as the same shall under applicable law cease to be valid, whereupon all monies or other property or proceeds constituting part of the Trust Estate shall be distributed in accordance with the terms of Article IV hereof, or (c) the election of the Owner Participant by notice to the Owner Trustee to revoke the trust created hereby; otherwise this Trust Agreement and the trusts created hereby shall continue in full force and effect in accordance with the terms hereof. Notwithstanding the foregoing, the provisions of Section 9(d) of the Participation Agreement shall apply hereto.

Section 11.02. The Owner Participant Has No Legal Title in Trust Estate. The Owner Participant does not have legal title to any part of the Trust Estate. No transfer, by operation of law or otherwise, of any right, title and interest of the Owner Participant in and to the Trust Estate hereunder shall operate to terminate this Trust Agreement or the trusts hereunder or entitle any successors or transferees of the Owner Participant to an accounting or to the transfer of legal title to any part of the Trust Estate.

Section 11.03. Assignment, Sale, etc., of Aircraft. Any assignment, sale, transfer or other conveyance of the Aircraft by the Owner Trustee made pursuant to the terms hereof or of the Lease or the Participation Agreement shall bind the Owner Participant and shall be effective to transfer or convey all right, title and interest of the Owner Trustee and the Owner Participant in and to the Aircraft. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such assignment, sale, transfer or conveyance or as to the application of any sale or other proceeds with respect thereto by the Owner Trustee.

Section 11.04. Trust Agreement for Benefit of Certain Parties Only. Except for the terms of Section 4.01, Article IX, Section 10.01 and Section 11.01 hereof and Section 16(c) of the Participation Agreement incorporated in Article VIII hereof, nothing herein, whether express or implied, shall be construed to give any person other than the Owner Trustee and the Owner Participant any legal or equitable right, remedy or claim under or in respect of this Trust Agreement; but this Trust Agreement shall be held to be for the sole and exclusive benefit of the Owner Trustee and the Owner Participant.

Section 11.05. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all notices shall be in writing, mailed by certified mail, postage prepaid, and (i) if to the Owner Trustee, addressed to it at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-2), (ii) if to the Indenture Trustee, addressed to it at its office at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-2), (iii) if to the Owner Participant, addressed to it at such address as it shall have furnished by notice to the Owner Trustee, or, until an address is so furnished, addressed to it at its address set forth in the Participation Agreement, or (iv) if to Lessee, addressed to it at its address set forth in the Lease, or to any of the above parties at any other address subsequently specified in writing by it to each of the other parties. Whenever any notice in writing is required to be given hereunder by the Owner Trustee or the Owner Participant, such notice shall be deemed given and such requirements satisfied if such notice is mailed by certified mail, postage prepaid, or is sent by telex (confirmed promptly by certified mail, postage prepaid), in each case addressed as provided above.

Section 11.06. Severability. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.07. Waivers, etc. No term or provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing entered into in compliance with the terms of Article X hereof; and any waiver of the terms hereof shall be effective only in the specified instance and for the specific purpose given.

Section 11.08. Counterparts. This Trust Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.09. Binding Effect, etc. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the Owner Trustee and its successors and permitted assigns, and the Owner Participant, its successors and, to the extent permitted by Article VIII, its permitted assigns. Any request, notice, direction, consent, waiver or other instrument or action by the Owner Participant shall bind its successors and permitted assigns.

Section 11.10. Headings; References. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 11.11. Governing Law. This Trust Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of Delaware including all matters of construction, validity and performance.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

WILMINGTON TRUST COMPANY

By Norma Closs  
Vice President

AT&T CREDIT CORPORATION

By Michael A. DeBernardi  
Vice President

=====

FORM OF  
FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-2)  
(Redesignated AA 1995 PTC Series AB)

Dated as of June 15, 1995

between

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION)  
as the Owner Participant

and

WILMINGTON TRUST COMPANY,  
as the Owner Trustee

One Boeing 767-323ER Aircraft  
N7375A

Leased to American Airlines, Inc.

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Series AB

## FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-2)

This FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-2), dated as of June 15, 1995, between AT&T CREDIT HOLDINGS, INC. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant") and WILMINGTON TRUST COMPANY, a Delaware banking corporation in its individual capacity as noted and as trustee hereunder (herein in such capacity the "Owner Trustee").

## W I T N E S S E T H:

WHEREAS, the Owner Participant, the Owner Trustee, American Airlines, Inc., a Delaware corporation (the "Lessee"), ABN Amro Bank N.V., Houston Agency (the "Original Loan Participant"), and NationsBank of Georgia, National Association, a national banking association, as Indenture Trustee (the "Indenture Trustee"), entered into the Participation Agreement (AA 1992 AF-2), dated as of July 1, 1992 (such Participation Agreement being herein called the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft, bearing U.S. registration number N7375A (the "Aircraft");

WHEREAS, the Owner Participant and the Owner Trustee entered into a Trust Agreement (AA 1992 AF-2), dated as of July 9, 1992 (such Trust Agreement, as originally entered into, being herein called the "Trust Agreement"), pursuant to which Trust Agreement the Owner Trustee agreed, among other things, to hold the Trust Estate (as defined in Section 1.01 of the Trust Agreement), which agreement was duly filed with the FAA as an attachment to the Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of July 9, 1992, relating to the Aircraft, together with other attachments thereto, on July 10, 1992, as one document, and assigned Conveyance No. BB19343;

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the Loan Certificates as part of a refunding or refinancing operation, and the Lessee has given its written notice to the Owner Participant and the Owner Trustee pursuant to such Section 20 of its desire to implement such a refunding or refinancing operation; and

Series AB

WHEREAS, in order to effect such refinancing, the Lessee, the Owner Participant, the Owner Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, the Original Loan Participant, the Indenture Trustee and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, and The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, are entering into the Refunding Agreement, dated as of June 2, 1995, and in connection therewith the Owner Participant and the Owner Trustee wish to amend the Trust Agreement by entering into this First Amendment to the Trust Agreement;

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

SECTION 1. Amendment to Section 1.01 of the Trust Agreement.

(a) The definition of "Operative Documents" is amended by adding the words "the Refunding Agreement, the Equipment Notes," after the words "Trust Indenture,".

(b) The definition of "Certificate" is amended to read as follows:

"`Certificate' means the loan certificates substantially in the form set forth in Article II of the Original Indenture and issued under such Indenture to the Original Loan Participant."

(c) The following definitions of "Equipment Notes", "Loan Trustee", "Original Indenture", "Pass Through Trustee", "Refunding Agreement" and "Refunding Date" shall be inserted in Section 1.01 of the Trust Agreement in alphabetical order.

"Equipment Notes" has the meaning set forth in the Trust Indenture.

"Indenture Trustee" means the Loan Trustee.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association.

"Original Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of July 1, 1992, between the Owner Trustee and the Indenture Trustee, as

supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-2), dated July 9, 1992.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between American Airlines, Inc. and the Pass Through Trustee, as amended, supplemented or otherwise modified from time to time.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee under the Pass Through Trust Agreement.

"Refunding Agreement" means the Refunding Agreement (AA 1995 PTC Series AB), dated as of June 2, 1995, among the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Original Loan Participant, the Initial Bank Lender, the Loan Trustee and the Pass Through Trustee, as the same may be supplemented, amended or modified from time to time.

"Refunding Date" has the meaning set forth in the Refunding Agreement.

SECTION 2. Amendments of Article III of the Trust Agreement.

(a) Clause (g) of Section 3.04 of the Trust Agreement is hereby amended by deleting the words "Section 5.06 of the Trust Indenture" and substituting therefor the words "Section 5.01(b) of the Trust Indenture".

(b) Article III of the Trust Agreement is hereby amended by adding the following subsection:

"Section 3.07 Authorization and Conditions Precedent in Respect of Refunding. (a) Authorization. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that on the Refunding Date it will, subject to due compliance with the terms of Section 3.07(b) hereof:

(i) enter into the Amended and Restated Indenture (as defined in the Refunding Agreement);

(ii) cancel the Certificates surrendered to it by the Loan Trustee; and

(iii) issue to the Initial Bank Lender and the Pass Through Trustee Equipment Notes in respect of the Aircraft in the amounts and otherwise as provided in the Refunding Agreement and the Trust Indenture;

(b) Conditions Precedent. The right and obligation of the Owner Trustee to take the action required by Sections 3.07(a)(ii) and (iii) hereof shall be subject to the following conditions precedent:

(i) the Owner Trustee shall have been paid the amounts required to be paid to it under Section 1 of the Refunding Agreement; and

(ii) the terms and conditions of Section 3 of the Refunding Agreement shall have been waived or complied with in a manner satisfactory to the Owner Participant."

SECTION 3. Amendment of Article VI to the Trust Agreement.

Clause (iii) of Section 6.02 of the Trust Agreement is hereby amended by deleting the words "Section 4.01 of the Trust Indenture" and substituting therefor the words "Section 4.01(b) of the Trust Indenture".

SECTION 4. Amendment of Article X to the Trust Agreement.

(a) Clause (ii) of Section 10.01(a) of the Trust Agreement is hereby amended by deleting the words "Article VIII of the Trust Indenture" and substituting therefor the words "Article 11 of the Trust Indenture".

(b) Section 10.01(a) of the Trust Agreement is hereby amended by deleting the last sentence thereof in its entirety and substituting therefor the following sentence:

"Notwithstanding the foregoing, (x) except to the extent permitted by Section 9(d) of the Participation Agreement, no supplement to this Trust Agreement or waiver or modification of the terms hereof shall be permitted, and (y) without the consent of the Indenture Trustee, none of Article IV, this Section 10.01(a), Section 11.01 or Section 11.04 shall be amended, and compliance with any provisions thereof shall not be waived by the Owner Trustee, until the

final satisfaction and discharge of the Trust Indenture pursuant to Section 10.01 thereof."

SECTION 5. Amendment of Article XI to the Trust Agreement.

(a) Section 11.01 of the Trust Agreement is hereby amended by adding a new sentence at the end thereof to read as follows:

"Notwithstanding any provision herein to the contrary, the Owner Participant shall not revoke or terminate this Trust Agreement without the consent of the Indenture Trustee until the final satisfaction and discharge of the Trust Indenture pursuant to Section 10.01 thereof. In addition, except as otherwise expressly provided herein, the Owner Participant may not withdraw any part of the Trust Estate subject to the Lien of the Trust Indenture prior to the discharge of such Lien with respect to such part of the Trust Estate pursuant to the Trust Indenture without the consent of the Indenture Trustee."

(b) Section 11.04 of the Trust Agreement is hereby amended by adding the phrase ", the Indenture Trustee" after the words "Owner Trustee" in each place where the words "Owner Trustee" appear in such Section.

SECTION 6. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the respective meaning assigned in the Trust Agreement.

SECTION 7. Ratification. Except as hereby amended, the Trust Agreement shall remain in full force and effect.

SECTION 8. Miscellaneous. This Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or

unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

WILMINGTON TRUST COMPANY

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

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION)

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

=====

TRUST AGREEMENT

(AA 1992 AF-3)

Dated as of August 1, 1992

between

AT&T CREDIT CORPORATION,  
as the Owner Participant

and

WILMINGTON TRUST COMPANY,  
as the Owner Trustee

\_\_\_\_\_

One Boeing 767-323ER Aircraft  
N376AN

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## TRUST AGREEMENT

This TRUST AGREEMENT (AA 1992 AF-3), dated as of August 1, 1992, between AT&T CREDIT CORPORATION, a corporation organized under the laws of the State of Delaware (together with its successors and permitted assigns, the "Owner Participant"), and WILMINGTON TRUST COMPANY, a Delaware banking corporation, in its individual capacity only as expressly stated herein and otherwise not in its individual capacity but solely as trustee hereunder (herein in such capacity with its permitted successors and assigns called the "Owner Trustee"),

W I T N E S S E T H :

## ARTICLE I

## DEFINITIONS AND TERMS

Section 1.01. Certain Definitions. Unless the context shall otherwise require and except as contained in this Section 1.01, capitalized terms used herein and not otherwise defined herein shall have the respective meanings assigned thereto in the Lease (as hereinafter defined) for all purposes hereof. All definitions contained in this Section 1.01 shall be equally applicable to both the singular and plural forms of the terms defined. For all purposes of this Trust Agreement the following terms shall have the following meanings:

"Certificate" has the meaning set forth in the Trust Indenture.

"Commitment" of the Owner Participant shall mean the amount which the Owner Participant has committed to pay to the Owner Trustee pursuant to Section 1 of the Participation Agreement as the Owner Participant's participation in the payment of Lessor's Cost.

"Excepted Property" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Estate" has the meaning ascribed to such term in the Trust Indenture.

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"Indenture Event of Default" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Trustee" means NationsBank of Georgia, National Association, and each other Person which may from time to time be acting as indenture trustee under the Trust Indenture.

"Lease" means that certain Lease Agreement (AA 1992 AF-3) (together with the Rent Schedule, except in the case of any reference to the Lease Agreement as filed with the Federal Aviation Administration), dated as of the date hereof, between the Owner Trustee and Lessee, relating to the Aircraft bearing United States registration number N376AN, as said Lease Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms of the Lease and the other Operative Documents. The term "Lease" shall also include each Lease Supplement from time to time entered into pursuant to the terms of the Lease.

"Lease Event of Default" has the meaning ascribed to the term "Event of Default" in the Lease.

"Lessee" means American Airlines, Inc., a Delaware corporation, and its successors and assigns.

"Operative Documents" means each of this Trust Agreement, the Lease, each Lease Supplement, the Trust Indenture, each Trust Agreement and Indenture Supplement, the Certificates, the Purchase Agreement (insofar as it relates to the Aircraft), the Purchase Agreement Assignment, the Bills of Sale and the Participation Agreement.

"Trust Agreement and Indenture Supplement" with respect to the Aircraft means an instrument supplementing the Trust Agreement and the Trust Indenture which identifies such Aircraft and evidences its inclusion in the Trust Estate and the Indenture Estate and is in proper form for filing and recordation pursuant to and in accordance with the requirements of the Federal Aviation Act.

"Trust Estate" means all estate, right, title and interest of the Owner Trustee in and to the Aircraft, the Participation Agreement, the Lease, each Lease Supplement, the Bills of Sale, the Purchase Agreement and the Purchase Agreement Assignment, including, without limitation, all amounts of Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds payable under liability policies to or for the benefit of the Owner Trustee, for its own account or in its individual capacity, or to the Owner Participant or any Affiliate thereof listed as an additional insured) and requisition, indemnity or other payments of any kind for or with respect to the Aircraft including, without limitation, any and all payments and proceeds received by the Owner Trustee after the termination of the Lease with respect to the Aircraft resulting from the sale, lease or other disposition thereof, subject, however, to the provisions of and the lien created by the Trust Indenture. Notwithstanding the foregoing, "Trust Estate" shall include all of the property, rights and interest of the Owner Trustee subject to the Granting Clause of the Trust Indenture but shall not include any Excepted Property.

"Trust Indenture" means that certain Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of the date hereof, between the Indenture Trustee and the Owner Trustee, as the same may be supplemented, amended or modified from time to time.

## ARTICLE II

### AUTHORITY TO EXECUTE CERTAIN OPERATIVE DOCUMENTS; DECLARATION OF TRUST

Section 2.01. Authority to Execute Documents. The Owner Participant hereby authorizes and directs the Owner Trustee (i) to execute and deliver the Trust Indenture, the Trust Agreement and Indenture Supplement covering the Aircraft, the Participation Agreement, the Purchase Agreement Assignment, the Lease, the Lease Supplement covering the Aircraft, the Certificates and any other agreements, instruments or documents, to which the Owner Trustee is a party in the respective forms thereof delivered from time to time by the Owner Participant to the Owner Trustee for execution and delivery, (ii) to execute and deliver all other agreements, instruments and certificates contemplated by the Operative Documents and

(iii) subject to the terms hereof, to exercise its rights (upon instructions received from the Owner Participant) and perform its duties under the documents referred to in clauses (i) and (ii) in accordance with the terms thereof.

Section 2.02. Declaration of Trust. The Owner Trustee hereby declares that it will hold the Trust Estate upon the trusts hereinafter set forth for the use and benefit of the Owner Participant, subject, however, to the provisions of and the lien created under the Trust Indenture.

### ARTICLE III

#### ACCEPTANCE AND DELIVERY OF AIRCRAFT; ISSUANCE OF CERTIFICATES; LEASE OF AIRCRAFT; REPLACEMENT

Section 3.01. Authorization. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that, on the Delivery Date it will, subject to due compliance with the terms of Section 3.02 hereof:

(i) authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees of Lessee) to accept delivery of the Aircraft pursuant to the Participation Agreement;

(ii) execute and deliver each of the Operative Documents to which the Owner Trustee is to be a party and a Trust Agreement and Indenture Supplement covering the Aircraft;

(iii) purchase the Aircraft pursuant to the Participation Agreement and accept from Lessee the delivery of the Bills of Sale (as defined in the Participation Agreement);

(iv) pay an amount equal to Lessor's Cost to Lessee pursuant to the Participation Agreement in consideration of the sale of the Aircraft by Lessee to the Owner Trustee thereunder;

(v) make application to the Federal Aviation Administration for registration of the Aircraft in the name of the Owner Trustee;

(vi) issue to the Original Loan Participant a Certificate in respect of the Aircraft in the amount and otherwise as provided in the Participation Agreement and the Trust Indenture;

(vii) execute and deliver the financing statements contemplated by Section 4(F) of the Participation Agreement;

(viii) take such other action as may be required of the Owner Trustee hereunder or under the Participation Agreement, the Trust Indenture or the Lease or any of the other Operative Documents to effectuate the transactions contemplated thereby; and

(ix) execute and deliver all such other instruments, documents or certificates and take all such other actions in accordance with the directions of the Owner Participant, as the Owner Participant may deem necessary or advisable in connection with the transactions contemplated hereby.

Section 3.02. Conditions Precedent. The right and obligation of the Owner Trustee to take the action required by Section 3.01 hereof shall be subject to the following conditions precedent:

(a) the Owner Participant shall have made the full amount of its Commitment with respect to the Aircraft available to the Owner Trustee, in immediately available funds, in accordance with Section 2(a) of the Participation Agreement; and

(b) the terms and conditions of Section 4 of the Participation Agreement, insofar as they relate to the Aircraft, have been waived or complied with in a manner satisfactory to the Owner Participant.

Section 3.03. Postponement of Delivery Date. The Owner Trustee, without necessity of further instructions from the Owner Participant, is hereby authorized and directed by the Owner Participant to take all action specified in Section 5 of the Participation Agreement as action to be taken by the Owner Trustee.

Section 3.04. Authorization in Respect of a Replacement Aircraft or Replacement Engines. The Owner

Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, in the event of a Replacement Airframe and Replacement Engines, if any, being substituted pursuant to Section 10(a) of the Lease, or a Replacement Engine being substituted pursuant to Section 9(g) or 10(b) of the Lease, subject to due compliance with the terms of Section 9(g), 10(a) or 10(b) of the Lease, as the case may be:

(a) to the extent not previously accomplished by a prior authorization, authorize a representative or representatives of the Owner Trustee (who shall be an employee or employees of Lessee) to accept delivery of the Replacement Airframe and Replacement Engines, if any, or any Replacement Engine;

(b) accept from Lessee or other vendor of the Replacement Airframe and Replacement Engines, if any, or any Replacement Engine a bill of sale or bills of sale (if tendered) and the invoice, if any, with respect to the Replacement Airframe and Replacement Engines, if any, or the Replacement Engine being furnished pursuant to Section 9(g), 10(a) or (b) of the Lease;

(c) in the case of a Replacement Airframe, make application to the Federal Aviation Administration for the registration in the name of the Owner Trustee of the Aircraft of which such Replacement Airframe is a part;

(d) execute and deliver a Lease Supplement and a Trust Agreement and Indenture Supplement covering (i) the Aircraft of which such Replacement Airframe is part or (ii) such Replacement Engine, as the case may be;

(e) transfer its interest in (without recourse except as to obligations in respect of Lessor's Liens) and to the Airframe and Engines (if any) or the Engine being replaced to Lessee;

(f) request in writing that the Indenture Trustee execute and deliver to Lessee appropriate instruments to release the Airframe and Engines or engines (if any) or the Engine or engine being replaced from the lien created under the Trust Inden-

ture and release the Purchase Agreement and the Purchase Agreement Assignment (solely with respect to such replaced Airframe and Engines, if any, or Engine) from the assignment and pledge under the Trust Indenture; and

(g) take such further action as may be contemplated by clauses (A) through (G) of the third full paragraph of Section 10(a) of the Lease or clauses (i) through (vii) of Section 10(b) of the Lease, or Section 5.06 of the Trust Indenture, as the case may be.

Section 3.05. Trust Agreement Remaining in Full Force and Effect. In the event of the substitution of a Replacement Aircraft for the Aircraft or the substitution of a Replacement Engine for any Engine or engine, all provisions of this Trust Agreement relating to such replaced Aircraft or Engine or engine shall be applicable to such Replacement Aircraft or Replacement Engine with the same force and effect as if such Replacement Aircraft or Replacement Engine were the same aircraft or engine as the Aircraft or Engine being replaced but for the Event of Loss with respect to such Aircraft or Engine.

Section 3.06. Authorization in Respect of a Return of an Engine. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that it will, in the event of an engine being transferred to the Owner Trustee pursuant to Section 5(b) of the Lease, subject to due compliance with the terms of such Section 5(b):

(a) accept from Lessee the bill of sale contemplated by such Section 5(b) with respect to such engine being transferred to the Owner Trustee pursuant to such Section 5(b);

(b) transfer its interest in (without recourse except as to obligations in respect of Lessor's Liens) and to an Engine to Lessee as contemplated by such Section 5(b); and

(c) request in writing that the Indenture Trustee execute and deliver to Lessee appropriate instruments to release the Engine being transferred to Lessee pursuant to such Section 5(b) from the

lien of the Trust Indenture and to release the Purchase Agreement and the Purchase Agreement Assignment (solely with respect to such Engine) from the assignment and pledge under the Trust Indenture.

#### ARTICLE IV

##### RECEIPT, DISTRIBUTION AND APPLICATION OF INCOME FROM THE TRUST ESTATE

Section 4.01. Distribution of Payments. (a) Payments to the Indenture Trustee. Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, all Basic Rent, Supplemental Rent, insurance proceeds (other than any insurance proceeds specified in Section 4.01(e)) and requisition, indemnity or other payments of any kind included in the Trust Estate (other than Excepted Property) shall be payable directly to the Indenture Trustee (and if any of the same are received by the Owner Trustee, such amounts shall upon receipt be paid over to the Indenture Trustee without deduction, set-off or adjustment of any kind) for distribution in accordance with the provisions of Article III of the Trust Indenture; provided, however, that any payments received by the Owner Trustee from (i) Lessee with respect to the Owner Trustee's fees and disbursements, or (ii) the Owner Participant pursuant to Article VII shall not be paid over to the Indenture Trustee but shall be retained by the Owner Trustee and applied toward the purpose for which such payments were made.

(b) Payments to the Owner Trustee; Other Parties. Any payment of the type referred to in paragraph (a) of this Section 4.01 (other than Excepted Property) received by the Owner Trustee, any payments received other than as specified in Section 4.01(d) or 4.01(e) and any other amounts received as part of the Trust Estate and for the application or distribution of which no provision is made herein, for or with respect to the Aircraft or otherwise (i) from the Indenture Trustee or (ii) from any Person, after the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, shall, subject to subsection (c) hereof, be distributed forthwith upon receipt by the Owner Trustee in the following order of priority: first, so much of such payment as shall be required to pay or reimburse the Owner Trustee for any fees or expenses not otherwise paid or reimbursed

as to which the Owner Trustee is entitled to be so paid or reimbursed pursuant to the provisions hereof or of the Trust Indenture shall be retained by the Owner Trustee; second, so much of the remainder for which provision as to the application thereof is contained in the Lease or any of the other Operative Documents shall be applied and distributed in accordance with the terms of the Lease or such other Operative Document; and third, the balance, if any, shall be paid to the Owner Participant.

(c) Certain Distributions to Lessee. After the Trust Indenture shall have been discharged pursuant to Sections 10.01 thereof, any payment of the type referred to in paragraph (a) of this Section 4.01 received by the Owner Trustee with respect to such Aircraft shall, if required by the terms of the Lease, be distributed to Lessee. Any such payment which would be required to be made to Lessee pursuant to the terms of the Lease or the Participation Agreement, but is not made due to the occurrence and continuation of a Lease Event of Default, shall be held and invested by the Owner Trustee pursuant to Section 25 of the Lease as further security for the obligations of Lessee under the Lease, and at such time as there shall not be continuing any Lease Event of Default, such payment shall be made to Lessee.

(d) Excepted Property. Any Excepted Property received by the Owner Trustee shall be paid by the Owner Trustee to the person to whom such Excepted Property is payable under the provisions of the Participation Agreement, the Tax Indemnity Agreement or the Lease.

(e) Insurance Proceeds. Any proceeds of any insurance for loss or damage to the Aircraft in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee. Any proceeds of any insurance for loss or damage to the Aircraft not constituting an Event of Loss with respect to the Airframe, the Aircraft or any Engine received by the Owner Trustee shall be applied as provided in Section 11(b) of the Lease.

Section 4.02. Method of Payments. The Owner Trustee shall make distributions or cause distributions to be made to (i) the Owner Participant pursuant to this Article IV by transferring by wire transfer in immediately available funds the amount to be distributed to such account or accounts of the Owner Participant as it may designate from time to time by written notice to the Owner

Trustee (and the Owner Trustee shall use reasonable efforts to cause such funds to be transferred by wire transfer on the same day as received, but in any case not later than the next succeeding Business Day), and (ii) the Indenture Trustee pursuant to this Article IV by paying the amount to be distributed to the Indenture Trustee in the manner specified in the Trust Indenture; provided, however, that the Owner Trustee shall invest overnight, for the benefit of the Owner Participant, in investments that would be permitted by Section 25 of the Lease (but only to the extent such investments are available and, if such investments are not available, then in such other investments available to the Owner Trustee which, after consultation with the Owner Participant, the Owner Participant shall direct) all funds not transferred by wire transfer on the same day as they were received. Notwithstanding the foregoing but subject always to the provisions of and lien created by the Trust Indenture, the Owner Trustee will, if so requested by the Owner Participant by written notice, pay any and all amounts payable by the Owner Trustee hereunder to the Owner Participant either (i) by crediting, or causing the Indenture Trustee to credit, such amount or amounts to an account or accounts maintained by the Owner Participant with the Owner Trustee in its individual capacity or with the Indenture Trustee, as the case may be, in immediately available funds, or (ii) by mailing, or causing the Indenture Trustee to mail, an official bank check or checks in such amount or amounts payable to the Owner Participant at such address as the Owner Participant shall have designated in writing to the Owner Trustee.

#### ARTICLE V

##### DUTIES OF THE OWNER TRUSTEE

Section 5.01. Notice of Event of Default. If the Owner Trustee shall have knowledge of a Lease Event of Default or an Indenture Event of Default (or an event that, with the passage of time or the giving of notice or both, would constitute a Lease Event of Default or an Indenture Event of Default), the Owner Trustee shall give to the Owner Participant and Lessee prompt telephonic or telex notice thereof followed by prompt confirmation thereof by certified mail, postage prepaid. Subject to the terms of Section 5.03, the Owner Trustee shall take such action or shall refrain from taking such action, not

inconsistent with the provisions of the Operative Documents, with respect to such Lease Event of Default or Indenture Event of Default or event as the Owner Trustee shall be directed in writing by the Owner Participant. For all purposes of this Trust Agreement and the Lease, the Owner Trustee shall not be deemed to have knowledge of a Lease Event of Default or an Indenture Event of Default or an event that, with the passage of time or the giving of notice or both, would constitute a Lease Event of Default or an Indenture Event of Default unless notified in writing thereof in the manner and at the address set forth in Section 11.05 or unless an officer in the Corporate Trust Administration of the Owner Trustee has actual knowledge thereof.

Section 5.02. Action Upon Instructions. Subject in all respects to the terms of Sections 5.01 and 5.03 and to the terms of the other Operative Documents, upon the written instructions at any time and from time to time of the Owner Participant, the Owner Trustee will take such of the following actions as may be specified in such instructions: (i) give such notice or direction or exercise such right, remedy or power hereunder or under any of the Operative Documents to which the Owner Trustee is a party, or in respect of all or any part of the Trust Estate, as shall be specified in such instructions; (ii) take such action to preserve or protect the Trust Estate (including the discharge of any liens or encumbrances) as may be specified in such instructions; (iii) approve as satisfactory to it all matters required by the terms of the Lease and the other Operative Documents to be satisfactory to the Owner Trustee, it being understood that without written instructions of the Owner Participant, the Owner Trustee shall not approve any such matter as satisfactory to it; and (iv) subject to the rights of Lessee under the Operative Documents, after the expiration or earlier termination of the Lease, convey all of the Owner Trustee's right, title and interest in and to the Aircraft for such amount, on such terms and to such purchaser or purchasers as shall be designated in such instructions, or lease the Aircraft on a net lease basis on such terms as shall be set forth in such instructions or deliver the Aircraft to the Owner Participant in accordance with such instructions. In the event that the Owner Trustee is unsure of the application of any provision of this Trust Agreement or any other agreement relating to the transactions contemplated hereby, the Owner Trustee

may request and rely upon instructions of the Owner Participant.

Section 5.03. Indemnification. The Owner Trustee shall not be required to take or refrain from taking any action under Section 5.01 or 5.02 (other than the giving of notices required of the Owner Trustee therein) unless the Owner Trustee shall have been indemnified by the Owner Participant, in manner and form satisfactory to the Owner Trustee, against any liability, cost or expense (including reasonable counsel fees and disbursements) which may be incurred in connection therewith; and, if the Owner Participant shall have directed the Owner Trustee to take or refrain from taking any such action, the Owner Participant agrees to furnish such indemnity as shall be required and, in addition (to the extent not otherwise paid pursuant to the Participation Agreement or the Lease), to pay the reasonable fees and charges of the Owner Trustee for the services performed or to be performed by it pursuant to such direction. The Owner Trustee shall not be required to take any action under Section 5.01 or 5.02 if the Owner Trustee shall reasonably determine, or shall have been advised by counsel, that such action is contrary to the terms of any of the Operative Documents to which the Owner Trustee is a party, or is otherwise contrary to law.

Section 5.04. No Duties Except as Specified in Trust Agreement or Instructions. The Owner Trustee shall not have any duty or obligation to manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate, or otherwise to take or refrain from taking any action under, or in connection with any of the Operative Documents to which the Owner Trustee is a party, except as expressly required by the terms of any of the Operative Documents to which the Owner Trustee is a party, or (to the extent not inconsistent with the provisions of the Trust Indenture) as expressly provided by the terms hereof or in written instructions from the Owner Participant received pursuant to the terms of Section 5.01 or 5.02, and no implied duties or obligations shall be read into this Trust Agreement against the Owner Trustee. The Owner Trustee nevertheless agrees that it will, in its individual capacity and at its own cost and expense (but without any right of indemnity in respect of any such cost or expense under Section 7.01) promptly take such action as may be necessary duly to discharge and satisfy in full (i) all Lessor's Liens attributable to the

Owner Trustee in its individual capacity, (ii) any Liens (other than Lessor's Liens attributable to it in its individual capacity) created as a result of its breach of any of its obligations under this Trust Agreement (subject to the limitations on the liability of the Owner Trustee in its individual capacity set forth in Section 6.01) on any part of the Trust Estate, or on any properties of the Owner Trustee assigned, pledged or mortgaged as part of the Trust Estate, which arise from acts of the Owner Trustee in its individual capacity, except the lien created under the Trust Indenture, the rights of Lessee under the Lease and the rights of the Owner Participant hereunder, and (iii) any other liens or encumbrances attributable to the Owner Trustee in its individual capacity on any part of the Trust Estate which result from claims against the Owner Trustee in its individual capacity unrelated to the ownership of the Aircraft, the administration of the Trust Estate or the transactions contemplated by the Operative Documents.

Section 5.05. No Action Except Under Specified Documents or Instructions. The Owner Trustee shall have no power or authority to, and the Owner Trustee agrees that it will not, manage, control, use, sell, dispose of or otherwise deal with the Aircraft or any other part of the Trust Estate except (i) as expressly required by the terms of any of the Operative Documents to which the Owner Trustee is a party, (ii) as expressly provided by the terms hereof, or (iii) as expressly provided in written instructions from the Owner Participant pursuant to Section 5.01 or 5.02, but subject always to the provisions of, and the lien created by, the Trust Indenture.

## ARTICLE VI

### THE OWNER TRUSTEE

Section 6.01. Acceptance of Trusts and Duties. The Owner Trustee in its individual capacity accepts the trusts hereby created and agrees to perform the same but only upon the terms hereof applicable to it. The Owner Trustee in its individual capacity also agrees to receive and disburse all monies received by it constituting part of the Trust Estate upon the terms hereof. The Owner Trustee, in its individual capacity, shall not be answerable or accountable under any circumstances, except for (i) its own willful misconduct or gross negligence,

(ii) its performance of the terms of the last sentence of Section 5.04, (iii) its failure to use ordinary care in receiving or disbursing funds, (iv) liabilities that may result from the inaccuracy of any representation or warranty of the Owner Trustee in its individual capacity (or from the failure by the Owner Trustee in its individual capacity to perform any covenant made in its individual capacity) in Section 6.03, or in any of the Operative Documents to which the Owner Trustee is a party, and (v) taxes, fees or other charges on, based on or measured by any fees, commissions or other compensation received by the Owner Trustee as compensation for its services rendered as the Owner Trustee; provided, however, that the failure to act or perform in the absence of instructions after the Owner Trustee has requested instructions from the Owner Participant pursuant to the last sentence of Section 5.02 shall not constitute willful misconduct or gross negligence for purposes of clause (i) of this Section 6.01.

Section 6.02. Absence of Certain Duties. Except in accordance with written instructions furnished pursuant to Section 5.01, 5.02 and except as provided in, and without limiting the generality of, Section 5.04 and the last sentence of Section 9.01(b), the Owner Trustee shall have no duty (i) to see to any registration of the Aircraft or any recording or filing of the Lease, this Trust Agreement, the Trust Indenture or of any supplement to any thereof or to see to the maintenance of any such registration, rerecording or refiling, except that the Owner Trustee shall notify the Federal Aviation Administration of changes in its mailing address pursuant to 14 C.F.R. Section 47.45 and the Owner Trustee shall (x) take such other action as may be required of the Owner Trustee to maintain the registration of the Aircraft in the name of the Owner Trustee under the Federal Aviation Act or, to the extent the Aircraft is registered in a country other than the United States pursuant to Section 7 of the Lease, other applicable law and (y) to the extent that information for that purpose is supplied by Lessee pursuant to any of the Operative Documents, complete and timely submit any and all reports relating to the Aircraft which may from time to time be required by the Federal Aviation Administration or any government or governmental authority having jurisdiction, (ii) to see to any insurance on the Aircraft or to effect or maintain any such insurance, whether or not Lessee shall be in default with respect thereto, other than to forward to the Owner Par-

Participant copies of all reports and other information which the Owner Trustee receives from Lessee pursuant to Section 11 of the Lease, (iii) to see to the payment or discharge of any tax, assessment or other governmental charge or any lien or encumbrance of any kind owing with respect to or assessed or levied against any part of the Trust Estate except as provided by Section 9(c) of the Participation Agreement and Section 4.01 of the Trust Indenture, (iv) to confirm or verify any financial statements of Lessee or (v) to inspect the Aircraft or Lessee's books and records with respect to the Aircraft.

Section 6.03. No Representations or Warranties as to Certain Matters. THE OWNER TRUSTEE IN ITS INDIVIDUAL CAPACITY OR AS THE OWNER TRUSTEE DOES NOT MAKE AND SHALL NOT BE DEEMED TO HAVE MADE (a) ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, WORKMANSHIP, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY ENGINE THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS (WHETHER OR NOT DISCOVERABLE), AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE AIRCRAFT OR ANY ENGINE WHATSOEVER, except that the Owner Trustee in its individual capacity warrants that on the Delivery Date the Owner Trustee has received whatever title to the Aircraft was conveyed to it by Lessee and shall be in compliance with the last sentence of Section 5.04 hereof and that the Aircraft shall during the Term be free of Lessor's Liens attributable to it in its individual capacity, or (b) any representation or warranty as to the validity, legality or enforceability of this Trust Agreement or any other Operative Document to which the Owner Trustee is a party, or any other document or instrument, or as to the correctness of any statement contained in any thereof except to the extent that any such statement is expressly made herein or therein as a representation by the Owner Trustee in its individual capacity and except that the Owner Trustee in its individual capacity hereby represents and warrants that this Trust Agreement has been, and (assuming the due authorization, execution and delivery of this Trust Agreement by the Owner Participant) the Operative Documents to which the Owner Trustee is a party have been (or at the time of execution and delivery of any such instrument by the Owner Trustee hereunder or pursuant to the terms of the Partici-

pation Agreement that such an instrument will be) duly executed and delivered by one of its officers who is or will be, as the case may be, duly authorized to execute and deliver such instruments on behalf of the Owner Trustee and that this Trust Agreement has been duly authorized, executed and delivered by the institution acting as the Owner Trustee and constitutes the legal, valid and binding obligation of such institution enforceable against it in accordance with its terms, except as such terms may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity.

Section 6.04. No Segregation of Monies Required; Investment Thereof. Monies received by the Owner Trustee hereunder need not be segregated in any manner except to the extent required by law, and may be deposited under such general conditions as may be prescribed by law, and shall be invested as provided in Section 4.02 hereof or Section 25 of the Lease.

Section 6.05. Reliance Upon Certificates, Counsel and Agents. The Owner Trustee shall incur no liability to anyone in acting in reliance upon any signature, instrument, notice, resolution, request, consent, order, certificate, report, opinion, bond or other document or paper reasonably believed by it to be genuine and reasonably believed by it to be signed by the proper party or parties. Unless other evidence in respect thereof is specifically prescribed herein, any request, direction, order or demand of the Owner Participant, Lessee or the Indenture Trustee mentioned herein or in any of the other Operative Documents to which the Owner Trustee is a party shall be sufficiently evidenced by written instruments signed by a person purporting to be an officer of the Owner Participant, Lessee or the Indenture Trustee, as the case may be. The Owner Trustee may accept a copy of a resolution of the Board of Directors of Lessee or the Owner Participant, as the case may be, certified by the Secretary or an Assistant Secretary of Lessee, the Owner Participant or the Indenture Trustee, as the case may be, as duly adopted and in full force and effect, as conclusive evidence that such resolution has been duly adopted by said Board and that the same is in full force and effect. As to any fact or matter the manner of ascertainment of which is not specifically described herein, the Owner Trustee may for all purposes hereof rely on a certificate signed by an officer of Lessee or the Owner

Participant or the Indenture Trustee, as the case may be, as to such fact or matter, and such certificate shall constitute full protection to the Owner Trustee for any action taken or omitted to be taken by it in good faith in reliance thereon.

Section 6.06. Not Acting in Individual Capacity. In acting hereunder, the Owner Trustee acts solely as trustee and not in its individual capacity except as otherwise expressly provided herein; and, except as may be otherwise expressly provided in this Trust Agreement, the Lease, the Participation Agreement or the Trust Indenture, all persons having any claim against the Owner Trustee by reason of the transactions contemplated hereby shall look only to the Trust Estate for payment or satisfaction thereof.

Section 6.07. Fees; Compensation. Except as provided in Section 4.01(b), 5.03, 6.08 or 7.01, the Owner Trustee agrees that it shall have no right against the Owner Participant or (subject to the provisions of the Trust Indenture) the Trust Estate for any fee as compensation for its services hereunder.

Section 6.08. Tax Returns. The Owner Trustee shall be responsible for the keeping of all appropriate books and records relating to the receipt and disbursement by it of all monies under this Trust Agreement or any agreement contemplated hereby. The Owner Participant shall be responsible for causing to be prepared and filed, at its expense, all income tax returns required to be filed by the Owner Participant. The Owner Trustee shall be responsible for causing to be prepared, at the request of the Owner Participant, all income tax returns required to be filed with respect to the trust created hereby and shall execute and file such returns. The Owner Participant, upon request, will furnish the Owner Trustee with all such information as may be reasonably required from the Owner Participant in connection with the preparation of such income tax returns.

## ARTICLE VII

INDEMNIFICATION OF THE OWNER TRUSTEE  
BY THE OWNER PARTICIPANT

Section 7.01. The Owner Participant to Indemnify the Owner Trustee. The Owner Participant hereby agrees, whether or not any of the transactions contemplated hereby shall be consummated, to assume liability for, and does hereby indemnify, protect, save and keep harmless the Owner Trustee in its individual capacity, and its successors, assigns, legal representatives, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, taxes (excluding any taxes payable by the Owner Trustee in its individual capacity on or measured by any compensation received by the Owner Trustee in its individual capacity for its services hereunder), claims, actions or suits or reasonable costs, expenses or disbursements (including, without limitation, reasonable legal fees and expenses) of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Owner Trustee in its individual capacity (whether or not also indemnified against by Lessee under the Lease or under the Participation Agreement or also indemnified against by the Manufacturer or any other Person) in any way relating to or arising out of this Trust Agreement or any of the Operative Documents or the enforcement of any of the terms of any thereof, or in any way relating to or arising out of the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of the Aircraft or any Engine (including, without limitation, latent and other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement), or in any way relating to or arising out of the administration of the Trust Estate or the action or inaction of the Owner Trustee hereunder, except (a) in the case of willful misconduct or gross negligence on the part of the Owner Trustee either as trustee or in its individual capacity in the performance or nonperformance of its duties hereunder or (b) those resulting from the inaccuracy of any representation or warranty of the Owner Trustee in its individual capacity (or from the failure of the Owner Trustee in its individual capacity to perform any covenant) in Section 6.03, or in any of the Operative Documents, or (c) those arising or resulting from any of the matters described in the last sentence of Section 6.01, or (d) those resulting from

its failure to perform the terms of the last sentence of Section 5.04 hereof or from the failure to use ordinary care in the receipt and disbursement of funds. The indemnities contained in this Section 7.01 extend to the Owner Trustee only in its individual capacity and shall not be construed as indemnities of the Indenture Estate or the Trust Estate (except to the extent, if any, that the Owner Trustee has been reimbursed by Lessee pursuant to the Lease for amounts covered by the indemnities contained in this Section 7.01). The indemnities contained in this Section 7.01 shall survive the termination of this Trust Agreement. In addition, if necessary, the Owner Trustee shall be entitled to indemnification from the Trust Estate, subject however to the provisions of Section 4.01 hereof and the lien created under the Trust Indenture, for any liability, obligation, loss, damage, penalty, tax, claim, action, suit, cost, expense or disbursement indemnified against pursuant to this Section 7.01 to the extent not reimbursed by Lessee, the Owner Participant or others, but without releasing any of them from their respective agreements of reimbursement; and to secure the same the Owner Trustee shall have a lien on the Trust Estate, subject however to the provisions of Section 4.01 hereof and the lien created under the Trust Indenture, which lien of the Owner Trustee shall be prior to any interest therein of the Owner Participant.

#### ARTICLE VIII

##### TRANSFER OF THE OWNER PARTICIPANT'S INTEREST

Section 8.01. Transfer of Interest. All provisions of Section 16(c) of the Participation Agreement shall (with the same force and effect as if set forth in full, mutatis mutandis, in this Section 8.01) be applicable to any assignment, conveyance or other transfer by the Owner Participant of its right, title or interest in and to this Trust Agreement or any of the Operative Documents to which the Owner Trustee is a party or any proceeds therefrom.

## ARTICLE IX

## SUCCESSOR OWNER TRUSTEES; CO-TRUSTEES

Section 9.01. Resignation of the Owner Trustee; Appointment of Successor. (a) Resignation or Removal. The Owner Trustee or any successor Owner Trustee may resign at any time without cause by giving at least 60 days' prior written notice to the Owner Participant, the Indenture Trustee and Lessee, such resignation to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b). In addition, subject to Section 9(d) of the Participation Agreement, the Owner Participant may at any time remove the Owner Trustee without cause by a notice in writing delivered to the Owner Trustee, the Indenture Trustee and Lessee, such removal to be effective upon the acceptance of appointment by the successor Owner Trustee under Section 9.01(b). In the case of the resignation or removal of the Owner Trustee, subject to Section 9(d) of the Participation Agreement, the Owner Participant may appoint a successor Owner Trustee by an instrument in writing signed by the Owner Participant. If a successor Owner Trustee shall not have been appointed within 30 days after such notice of resignation or removal, the Owner Trustee, Lessee or the Indenture Trustee may apply to any court of competent jurisdiction to appoint a successor Owner Trustee to act until such time, if any, as a successor shall have been appointed as above provided. Any successor Owner Trustee so appointed by such court shall immediately and without further act be superseded by any successor Owner Trustee appointed as above provided within one year from the date of the appointment by such court.

(b) Execution and Delivery of Documents, etc. Any successor Owner Trustee, however appointed, shall execute and deliver to the predecessor Owner Trustee an instrument accepting such appointment, and thereupon such successor Owner Trustee, without further act, shall become vested with all the estates, properties, rights, powers, duties and trusts of the predecessor Owner Trustee in the trusts hereunder with like effect as if originally named the Owner Trustee herein; but nevertheless, upon the written request of such successor Owner Trustee, such predecessor Owner Trustee shall execute and deliver an instrument transferring to such successor Owner Trustee, upon the trusts herein expressed, all the estates, properties, rights, powers and trusts of such predecessor Owner Trust-

ee, and such predecessor Owner Trustee shall duly assign, transfer, deliver and pay over to such successor Owner Trustee all monies or other property then held by such predecessor Owner Trustee upon the trusts herein expressed. Upon the appointment of any successor Owner Trustee hereunder, the predecessor Owner Trustee will complete, execute and deliver to the successor Trustee such documents as are necessary to cause registration of the Aircraft included in the Trust Estate to be transferred upon the records of the Federal Aviation Administration, or other governmental authority having jurisdiction, into the name of the successor Owner Trustee.

(c) Qualification. Any successor Owner Trustee, however appointed, shall be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act, and shall also be a bank or trust company organized under the laws of the United States or any state thereof having a combined capital and surplus of at least \$100,000,000 (or having a combined capital and surplus of at least \$25,000,000 and the obligations of which are guaranteed by a corporation or a bank or trust company having a combined capital and surplus of at least \$100,000,000), if there be such an institution willing, able and legally qualified to perform the duties of the Owner Trustee hereunder upon reasonable and customary terms.

(d) Merger, etc. Any corporation into which the Owner Trustee may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Owner Trustee shall be a party, or any corporation to which substantially all the corporate trust business of the Owner Trustee may be transferred, shall, subject to the terms of Section 9.01(c), be the Owner Trustee hereunder without further act.

Section 9.02. Co-Trustees and Separate Trustees. If at any time or times it shall be necessary or prudent in order to conform to any applicable law of any jurisdiction in which all or any part of the Trust Estate is located, or the Owner Trustee shall be advised by counsel that it is so necessary or prudent in the interest of the Owner Participant or the Owner Trustee, or the Owner Trustee shall have been directed to do so by the Owner Participant, the Owner Trustee and the Owner Participant shall, subject to Section 9(d) of the Participation Agree-

ment, execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to constitute another bank or trust company or one or more persons (any and all of which shall be a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act) approved by the Owner Trustee, Lessee and the Owner Participant, either to act as co-trustee or co-trustees, jointly with the Owner Trustee, or to act as separate trustee or trustees hereunder (any such co-trustee or separate trustee being herein sometimes referred to as an "additional trustee"). In the event (i) the Owner Participant shall not have joined in the execution of such agreements supplemental hereto within ten days after the receipt of a written request from the Owner Trustee so to do, or (ii) a Lease Event of Default shall occur and be continuing, the Owner Trustee may act under the foregoing provisions of this Section 9.02 without the concurrence of the Owner Participant; and the Owner Participant hereby appoints the Owner Trustee its agent and attorney-in-fact to act for it under the foregoing provisions of this Section 9.02 in either of such contingencies.

Every additional trustee hereunder shall, to the extent permitted by law, be appointed and act, and the Owner Trustee and its successors shall act, subject to the following provisions and conditions:

(A) all powers, duties, obligations and rights conferred upon the Owner Trustee in respect of the custody, control and management of monies, the Aircraft or documents authorized to be delivered hereunder shall be exercised solely by the corporation designated as the Owner Trustee in the first paragraph of this Trust Agreement, or its successors as the Owner Trustee hereunder;

(B) all other rights, powers, duties and obligations conferred or imposed upon the Owner Trustee shall be conferred or imposed upon and exercised or performed by the corporation designated as the Owner Trustee in the first paragraph of this Trust Agreement or its successor as the Owner Trustee, and such additional trustee or trustees jointly, except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed (including the holding of title to the Trust Estate), the Owner Trustee shall be incompetent or unqualified

to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised and performed by such additional trustee or trustees;

(C) no power given to, or which it is provided hereby may be exercised by, any such additional trustee or trustees shall be exercised hereunder by such additional trustee or trustees, except jointly with, or with the consent in writing of, the corporation designated as the Owner Trustee in this Trust Agreement or its successor as the Owner Trustee, anything herein contained to the contrary notwithstanding;

(D) no trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder;

(E) subject to Section 9(d) of the Participation Agreement, the Owner Participant, at any time, by an instrument in writing may remove any such additional trustee. In the event that the Owner Participant shall not have joined in the execution of any such instrument within ten days after the receipt of a written request from the Owner Trustee so to do, the Owner Trustee shall have the power to remove any such additional trustee without the concurrence of the Owner Participant; and the Owner Participant hereby appoints the Owner Trustee its agent and attorney-in-fact to act for it in such connection in such contingency; and

(F) no appointing of, or action by, any additional trustee will relieve the Owner Trustee of any of its obligations under, or otherwise affect any of the terms of the Trust Indenture or affect the interests of the Indenture Trustee or the holders of the Certificates in the Trust Estate.

## ARTICLE X

SUPPLEMENTS AND AMENDMENTS TO TRUST AGREEMENT  
AND OTHER DOCUMENTS

## Section 10.01. Supplements and Amendments.

(a) Supplements and Amendments. At any time and from time to time, upon the written request of the Owner Participant, (i) the Owner Trustee, together with the Owner Participant, shall execute a supplement to this Trust Agreement for the purpose of adding provisions to, or changing or eliminating provisions of, this Trust Agreement (except Section 11.11) as specified in such request, and (ii) the Owner Trustee shall, subject to compliance with the applicable provisions of Article VIII of the Trust Indenture, enter into such written amendment of or supplement to any other Operative Document to which the Owner Trustee is a party as the Indenture Trustee and Lessee (and, in the case of the Purchase Agreement or the Purchase Agreement Assignment, the Manufacturer) may agree to and as may be specified in such request, or execute and deliver such written waiver or modification of or consent under the terms of any such Operative Document as Lessee and, unless the lien of the Trust Indenture has been discharged, the Indenture Trustee may agree to and as may be specified in such request; provided, however, that Lessee may consent to any change order with respect to or other amendment or modification of the Purchase Agreement without the consent or agreement of any other person to the extent provided in the Purchase Agreement Assignment. Notwithstanding the foregoing, except to the extent permitted by Section 9(d) of the Participation Agreement, no supplement to this Trust Agreement or waiver or modification to the terms hereof shall be permitted.

(b) Delivery of Amendments and Supplements to Certain Parties. Until the Trust Indenture shall have been discharged pursuant to Section 10.01 thereof, a signed copy of each amendment or supplement referred to in Section 10.01(a)(i) shall be delivered by the Owner Trustee to the Indenture Trustee without in any way affecting the Trust Indenture or the Certificates and without imposing any duty on the Indenture Trustee with respect to such amendment or supplement.

Section 10.02. Discretion as to Execution of Documents. If in the opinion of the Owner Trustee any document required to be executed pursuant to the terms of

Section 10.01 adversely affects any right, duty, immunity or indemnity in favor of the Owner Trustee hereunder or under any other Operative Document to which the Owner Trustee is a party, the Owner Trustee may in its discretion decline to execute such document.

Section 10.03. Absence of Requirements as to Form. It shall not be necessary for any written request furnished pursuant to Section 10.01 to specify the particular form of the proposed documents to be executed pursuant to such Section, but it shall be sufficient if such request shall indicate the substance thereof.

Section 10.04. Distribution of Documents. Promptly after the execution by the Owner Trustee of any document entered into pursuant to Section 10.01, the Owner Trustee shall mail, by certified mail, postage prepaid, a conformed copy thereof to the Owner Participant, but the failure of the Owner Trustee to mail such conformed copy shall not impair or affect the validity of such document.

Section 10.05. No Request Needed as to Lease Supplements. No written request pursuant to Section 10.01 shall be required to enable the Owner Trustee to enter into any Lease Supplement with Lessee pursuant to Section 3.01 or Section 3.04 or to enter into any Trust Agreement and Indenture Supplement with the Indenture Trustee pursuant to Section 3.01 or Section 3.04.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Termination of Trust Agreement. This Trust Agreement and the trusts created hereby shall terminate and this Trust Agreement shall be of no further force or effect upon the earliest of (a) the later of (x) the final discharge of the Trust Indenture pursuant to Section 10.01 thereof and the sale or other final disposition by the Owner Trustee of all property constituting part of the Trust Estate and the final distribution by the Owner Trustee of all monies or other property or proceeds constituting part of the Trust Estate in accordance with Article IV hereof, provided that at such time Lessee shall have fully complied with all of the terms of the Participation Agreement and the Lease, and (y) the expiration or

termination of the Lease in accordance with its terms, (b) one hundred ten (110) years following the earliest execution of this Trust Agreement by any party hereto (or, without limiting the generality of the foregoing, if legislation shall become effective providing for the validity or permitting the effective grant of such rights, privileges and options for a period in gross, exceeding the period for which such rights, privileges and options are hereinabove stated to extend and be valid), then such rights, privileges or options shall not terminate as aforesaid but shall extend to and continue in effect, but only if such non-termination and extension shall then be valid under applicable law until such time as the same shall under applicable law cease to be valid, whereupon all monies or other property or proceeds constituting part of the Trust Estate shall be distributed in accordance with the terms of Article IV hereof, or (c) the election of the Owner Participant by notice to the Owner Trustee to revoke the trust created hereby; otherwise this Trust Agreement and the trusts created hereby shall continue in full force and effect in accordance with the terms hereof. Notwithstanding the foregoing, the provisions of Section 9(d) of the Participation Agreement shall apply hereto.

Section 11.02. The Owner Participant Has No Legal Title in Trust Estate. The Owner Participant does not have legal title to any part of the Trust Estate. No transfer, by operation of law or otherwise, of any right, title and interest of the Owner Participant in and to the Trust Estate hereunder shall operate to terminate this Trust Agreement or the trusts hereunder or entitle any successors or transferees of the Owner Participant to an accounting or to the transfer of legal title to any part of the Trust Estate.

Section 11.03. Assignment, Sale, etc., of Aircraft. Any assignment, sale, transfer or other conveyance of the Aircraft by the Owner Trustee made pursuant to the terms hereof or of the Lease or the Participation Agreement shall bind the Owner Participant and shall be effective to transfer or convey all right, title and interest of the Owner Trustee and the Owner Participant in and to the Aircraft. No purchaser or other grantee shall be required to inquire as to the authorization, necessity, expediency or regularity of such assignment, sale, transfer or conveyance or as to the application of any sale or other proceeds with respect thereto by the Owner Trustee.

Section 11.04. Trust Agreement for Benefit of Certain Parties Only. Except for the terms of Section 4.01, Article IX, Section 10.01 and Section 11.01 hereof and Section 16(c) of the Participation Agreement incorporated in Article VIII hereof, nothing herein, whether express or implied, shall be construed to give any person other than the Owner Trustee and the Owner Participant any legal or equitable right, remedy or claim under or in respect of this Trust Agreement; but this Trust Agreement shall be held to be for the sole and exclusive benefit of the Owner Trustee and the Owner Participant.

Section 11.05. Notices. Unless otherwise expressly specified or permitted by the terms hereof, all notices shall be in writing, mailed by certified mail, postage prepaid, and (i) if to the Owner Trustee, addressed to it at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-3), (ii) if to the Indenture Trustee, addressed to it at its office at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-3), (iii) if to the Owner Participant, addressed to it at such address as it shall have furnished by notice to the Owner Trustee, or, until an address is so furnished, addressed to it at its address set forth in the Participation Agreement, or (iv) if to Lessee, addressed to it at its address set forth in the Lease, or to any of the above parties at any other address subsequently specified in writing by it to each of the other parties. Whenever any notice in writing is required to be given hereunder by the Owner Trustee or the Owner Participant, such notice shall be deemed given and such requirements satisfied if such notice is mailed by certified mail, postage prepaid, or is sent by telex (confirmed promptly by certified mail, postage prepaid), in each case addressed as provided above.

Section 11.06. Severability. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 11.07. Waivers, etc. No term or provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing entered into in compliance with the terms of Article X hereof; and any waiver of the terms hereof shall be effective only in the specified instance and for the specific purpose given.

Section 11.08. Counterparts. This Trust Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 11.09. Binding Effect, etc. All covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the Owner Trustee and its successors and permitted assigns, and the Owner Participant, its successors and, to the extent permitted by Article VIII, its permitted assigns. Any request, notice, direction, consent, waiver or other instrument or action by the Owner Participant shall bind its successors and permitted assigns.

Section 11.10. Headings; References. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

Section 11.11. Governing Law. This Trust Agreement shall in all respects be governed by, and construed in accordance with, the laws of the State of Delaware including all matters of construction, validity and performance.

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

WILMINGTON TRUST COMPANY

By /s/ NORMA P. CLOSS  
Name: Norma P. Closs  
Title: Vice President

AT&T CREDIT CORPORATION

By /s/ G. DANIEL MCCARTHY  
Name: G. Daniel McCarthy  
Title: Senior Vice President

=====

FORM OF  
FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-3)  
(Redesignated AA 1995 PTC Series AC)

Dated as of June 15, 1995

between

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION)  
as the Owner Participant

and

WILMINGTON TRUST COMPANY,  
as the Owner Trustee

-----

One Boeing 767-323ER Aircraft  
N376AN

Leased to American Airlines, Inc.

=====

Series AC

## FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-3)

This FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 AF-3), dated as of June 15, 1995, between AT&T CREDIT HOLDINGS, INC. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant") and WILMINGTON TRUST COMPANY, a Delaware banking corporation in its individual capacity as noted and as trustee hereunder (herein in such capacity the "Owner Trustee").

## W I T N E S S E T H:

WHEREAS, the Owner Participant, the Owner Trustee, American Airlines, Inc., a Delaware corporation (the "Lessee"), CIBC Inc. (the "Original Loan Participant"), and NationsBank of Georgia, National Association, a national banking association, as Indenture Trustee (the "Indenture Trustee"), entered into the Participation Agreement (AA 1992 AF-3), dated as of August 1, 1992 (such Participation Agreement being herein called the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft, bearing U.S. registration number N376AN (the "Aircraft");

WHEREAS, the Owner Participant and the Owner Trustee entered into a Trust Agreement (AA 1992 AF-3), dated as of August 1, 1992 (such Trust Agreement, as originally entered into, being herein called the "Trust Agreement"), pursuant to which Trust Agreement the Owner Trustee agreed, among other things, to hold the Trust Estate (as defined in Section 1.01 of the Trust Agreement), which agreement was duly filed with the FAA as an attachment to the Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of August 1, 1992, relating to the Aircraft, together with other attachments thereto, on August 11, 1992, as one document, and assigned Conveyance No. C26651;

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the Loan Certificates as part of a refunding or refinancing operation, and the Lessee has given its written notice to the Owner Participant and the Owner Trustee pursuant to such Section 20 of its desire to implement such a refunding or refinancing operation; and

Series AC

WHEREAS, in order to effect such refinancing, the Lessee, the Owner Participant, the Owner Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, the Original Loan Participant, the Indenture Trustee and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, and The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, are entering into the Refunding Agreement, dated as of June 2, 1995, and in connection therewith the Owner Participant and the Owner Trustee wish to amend the Trust Agreement by entering into this First Amendment to the Trust Agreement;

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

SECTION 1. Amendment to Section 1.01 of the Trust Agreement.

(a) The definition of "Operative Documents" is amended by adding the words "the Refunding Agreement, the Equipment Notes," after the words "Trust Indenture,".

(b) The definition of "Certificate" is amended to read as follows:

"`Certificate' means the loan certificates substantially in the form set forth in Article II of the Original Indenture and issued under such Indenture to the Original Loan Participant."

(c) The following definitions of "Equipment Notes", "Loan Trustee", "Original Indenture", "Pass Through Trustee", "Refunding Agreement" and "Refunding Date" shall be inserted in Section 1.01 of the Trust Agreement in alphabetical order.

"Equipment Notes" has the meaning set forth in the Trust Indenture.

"Indenture Trustee" means the Loan Trustee.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association.

"Original Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of August 1, 1992, between the Owner Trustee and the Indenture Trustee,

as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-3), dated August 11, 1992.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between American Airlines, Inc. and the Pass Through Trustee, as amended, supplemented or otherwise modified from time to time.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee under the Pass Through Trust Agreement.

"Refunding Agreement" means the Refunding Agreement (AA 1995 PTC Series AC), dated as of June 2, 1995, among the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Original Loan Participant, the Initial Bank Lender, the Loan Trustee and the Pass Through Trustee, as the same may be supplemented, amended or modified from time to time.

"Refunding Date" has the meaning set forth in the Refunding Agreement.

SECTION 2. Amendments of Article III of the Trust Agreement.

(a) Clause (g) of Section 3.04 of the Trust Agreement is hereby amended by deleting the words "Section 5.06 of the Trust Indenture" and substituting therefor the words "Section 5.01(b) of the Trust Indenture".

(b) Article III of the Trust Agreement is hereby amended by adding the following subsection:

"Section 3.07 Authorization and Conditions Precedent in Respect of Refunding. (a) Authorization. The Owner Participant hereby authorizes and directs the Owner Trustee to, and the Owner Trustee agrees for the benefit of the Owner Participant that on the Refunding Date it will, subject to due compliance with the terms of Section 3.07(b) hereof:

(i) enter into the Amended and Restated Indenture (as defined in the Refunding Agreement);

(ii) cancel the Certificates surrendered to it by the Loan Trustee; and

(iii) issue to the Initial Bank Lender and the Pass Through Trustee Equipment Notes in respect of the Aircraft in the amounts and otherwise as provided in the Refunding Agreement and the Trust Indenture;

(b) Conditions Precedent. The right and obligation of the Owner Trustee to take the action required by Sections 3.07(a)(ii) and (iii) hereof shall be subject to the following conditions precedent:

(i) the Owner Trustee shall have been paid the amounts required to be paid to it under Section 1 of the Refunding Agreement; and

(ii) the terms and conditions of Section 3 of the Refunding Agreement shall have been waived or complied with in a manner satisfactory to the Owner Participant."

SECTION 3. Amendment of Article VI to the Trust Agreement.

Clause (iii) of Section 6.02 of the Trust Agreement is hereby amended by deleting the words "Section 4.01 of the Trust Indenture" and substituting therefor the words "Section 4.01(b) of the Trust Indenture".

SECTION 4. Amendment of Article X to the Trust Agreement.

(a) Clause (ii) of Section 10.01(a) of the Trust Agreement is hereby amended by deleting the words "Article VIII of the Trust Indenture" and substituting therefor the words "Article 11 of the Trust Indenture".

(b) Section 10.01(a) of the Trust Agreement is hereby amended by deleting the last sentence thereof in its entirety and substituting therefor the following sentence:

"Notwithstanding the foregoing, (x) except to the extent permitted by Section 9(d) of the Participation Agreement, no supplement to this Trust Agreement or waiver or modification of the terms hereof shall be permitted, and (y) without the consent of the Indenture Trustee, none of Article IV, this Section 10.01(a), Section 11.01 or Section 11.04 shall be amended, and compliance with any provisions thereof shall not be waived by the Owner Trustee, until the

final satisfaction and discharge of the Trust Indenture pursuant to Section 10.01 thereof."

SECTION 5. Amendment of Article XI to the Trust Agreement.

(a) Section 11.01 of the Trust Agreement is hereby amended by adding a new sentence at the end thereof to read as follows:

"Notwithstanding any provision herein to the contrary, the Owner Participant shall not revoke or terminate this Trust Agreement without the consent of the Indenture Trustee until the final satisfaction and discharge of the Trust Indenture pursuant to Section 10.01 thereof. In addition, except as otherwise expressly provided herein, the Owner Participant may not withdraw any part of the Trust Estate subject to the Lien of the Trust Indenture prior to the discharge of such Lien with respect to such part of the Trust Estate pursuant to the Trust Indenture without the consent of the Indenture Trustee."

(b) Section 11.04 of the Trust Agreement is hereby amended by adding the phrase ", the Indenture Trustee" after the words "Owner Trustee" in each place where the words "Owner Trustee" appear in such Section.

SECTION 6. Defined Terms. Capitalized terms used herein and not otherwise defined herein shall have the respective meaning assigned in the Trust Agreement.

SECTION 7. Ratification. Except as hereby amended, the Trust Agreement shall remain in full force and effect.

SECTION 8. Miscellaneous. This Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument. Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or

unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

WILMINGTON TRUST COMPANY

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

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION)

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

=====

LEASE AGREEMENT  
(AA 1992 AF-1)

Dated as of June 15, 1992

between

WILMINGTON TRUST COMPANY,

not in its individual  
capacity except as expressly  
stated herein, but solely  
as Owner Trustee, Lessor

and

AMERICAN AIRLINES, INC.,

Lessee

One Boeing 767-323ER Aircraft

N374AA

=====

CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 AF-1), DATED AS OF THE DATE HEREOF, BETWEEN WILMINGTON TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 AF-1), DATED AS OF THE DATE HEREOF, FOR THE BENEFIT OF THE HOLDERS OF THE CERTIFICATES REFERRED TO IN SUCH TRUST INDENTURE AND SECURITY AGREEMENT. THIS LEASE AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. TO THE EXTENT, IF ANY, THAT THIS LEASE CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION) NO SECURITY INTEREST IN THIS LEASE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN THE ORIGINAL. THE COUNTERPART TO BE DEEMED THE ORIGINAL SHALL BE THE COUNTERPART THAT CONTAINS THE RECEIPT THEREFOR EXECUTED BY NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF AND NO SECURITY INTEREST IN THIS LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OF ANY COUNTERPART OTHER THAN SAID ORIGINAL COUNTERPART. SEE SECTION 22 FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

THIS IS NOT THE ORIGINAL COUNTERPART.

AF-1

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- Exhibit A - Form of Lease Supplement
- Exhibit B - List of Permitted Countries

LEASE AGREEMENT  
(AA 1992 AF-1)

This LEASE AGREEMENT (AA 1992 AF-1), dated as of June 15, 1992, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly stated herein, but solely as Owner Trustee under the Trust Agreement (as defined in Section 1) and its permitted successors and assigns ("Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation with its principal place of business at Dallas/Fort Worth International Airport, Texas 75261-9616 and its permitted successors and assigns ("Lessee"),

W I T N E S S E T H:

Section 1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease Agreement and shall be equally applicable to both the singular and the plural forms of the terms herein defined:

"Accrued Arrears Basic Rent" means, for any period of days within a Lease Period, the amount determined by multiplying the portion, if any, of the Basic Rent installment for such Lease Period designated in Exhibit A-1 to the Rent Schedule as being payable in arrears by a fraction, the numerator of which shall be the actual number of days in such period and the denominator of which shall be the actual number of days in such Lease Period.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aircraft" means the Airframe delivered and leased hereunder, together with the two Engines described in the Lease Supplement relating to the Airframe (or any Replacement Engine substituted for any Engine hereunder), whether or not any of such initial or substituted Engines

may from time to time be installed on such Airframe or may be installed on any other airframe or on any other aircraft. The term "Aircraft" shall include any Replacement Aircraft.

"Airframe" means (i) the Boeing 767-323ER aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N374AA and Manufacturer's Serial Number 25201, and leased hereunder by Lessor to Lessee under a Lease Supplement; and (ii) any and all Parts so long as the same shall be incorporated or installed in or attached to such aircraft, or so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 after removal from such aircraft. The term "Airframe" shall include any Replacement Airframe substituted pursuant to Section 10(a). Except as otherwise set forth herein, at such time as a Replacement Airframe shall be so substituted and the Airframe for which the substitution is made shall be released from the lien of the Trust Indenture, such replaced Airframe shall cease to be an Airframe hereunder.

"Assumed Debt Rate" means a rate of interest of 9.25% per annum, payable January 2, 1993, and semiannually thereafter, computed on the basis of a 360-day year of twelve 30-day months.

"Base Lease Commencement Date" means January 2, 1993.

"Base Lease Expiration Date" means July 2, 2017.

"Base Rate" means a fluctuating rate equal to the rate per annum announced publicly by The Chase Manhattan Bank, National Association, from time to time as its base rate.

"Basic Rent" for the Aircraft means the rent payable for the Aircraft pursuant to Section 3(b), as the same may be adjusted pursuant to Section 3(e), or, during any Renewal Term, the rent payable for the Aircraft pursuant to Section 20(a).

"Bills of Sale" has the meaning set forth in the Participation Agreement.

"Break Amount" has the meaning set forth in the Trust Indenture.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York, Fort Worth, Texas, the city and state in which the principal corporate trust office of the Owner Trustee is located, or, so long as any Certificate is outstanding, the city and state in which the principal corporate trust office of the Indenture Trustee is located; provided, however, that for all purposes in respect of determining the LIBOR Rate (as defined in the Indenture), "Business Day" shall also exclude days on which normal dealings in dollar deposits in the London interbank market are not carried on.

"Casualty Loss Determination Date" for the Aircraft means each of the dates specified in Exhibit B to the Rent Schedule which is the same as or immediately precedes a Loss Payment Date on which Stipulated Loss Value is payable with respect to the Aircraft.

"Certificate" has the meaning set forth in the Trust Indenture.

"Change in Tax Law" means a change, amendment, modification, addition or deletion in or to the Code, any regulation thereunder (whether proposed, temporary or final) or any Internal Revenue Service Revenue Rulings or Revenue Procedures.

"Claims" means any and all liabilities, obligations, losses, damages, penalties, claims, actions or suits of whatsoever kind and nature (whether or not on the basis of negligence, strict or absolute liability or liability in tort), including all costs, disbursements and expenses (including reasonable legal fees and expenses).

"Code" means the Internal Revenue Code of 1986, as amended and in effect on the Delivery Date.

"Debt Rate" has the meaning set forth in Section 2.01 of the Trust Indenture.

"Delivery Date" means the date of the Lease Supplement covering the Aircraft, which date shall be the

date the Aircraft is accepted by Lessor and leased to and accepted by Lessee hereunder.

"Engine" means (i) each of the two General Electric CF6-80C2B6 engines listed by manufacturer's serial numbers in the Lease Supplement relating to the Airframe whether or not from time to time installed on the Airframe or installed on any other airframe or on any other aircraft and (ii) any Replacement Engine which may from time to time be substituted pursuant to Section 5(b), 9(g), 10(a) or 10(b) for an Engine leased hereunder; together in each case with any and all Parts incorporated or installed in or attached thereto or any and all Parts removed therefrom so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted and the Engine for which substitution is made shall be released from the lien of the Trust Indenture, such replaced Engine shall cease to be an Engine hereunder. The term "Engines" means, as of any date of determination, all Engines then leased hereunder.

"Event of Default" has the meaning specified in Section 14.

"Event of Loss" with respect to any property means any of the following events with respect to such property: (i) loss of such property or the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or constructive total loss; (iii) the condemnation, confiscation or seizure of, or requisition of title to, or use of, such property (other than (x) a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit of such government) that shall not have extended more than one year beyond the end of the Term, unless Lessee shall have declared an Event of Loss pursuant to Section 10(d), (y) a requisition for use by any other Government that shall not have extended beyond the end of the Term or (z) a requisition for use by the government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which shall not have resulted in a loss of posses-

sion of the Aircraft for a period in excess of twelve consecutive months and shall not have extended beyond the end of the Term); (iv) as a result of any rule, regulation, order or other action by the Federal Aviation Administration, the Department of Transportation or other governmental body of the United States of America or other country of registry having jurisdiction, the use of such property in the normal course of air transportation of persons shall have been prohibited for a period of six consecutive months, unless Lessee, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by Lessee or, in any event, if such use shall have been prohibited for a period of twelve consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by the Government in any area excluded from coverage by any insurance policy in effect with respect to the Aircraft required by the terms of Section 11, unless the requisition for use shall have been made by a Government and Lessee shall have obtained indemnity in lieu thereof from a Government pursuant to Section 11; provided that, in the case of an event described in clause (i), (iii) or (v), if such property shall be returned to Lessee in usable condition prior to the Loss Payment Date, and, for so long as any Certificates remain outstanding, prior to the date on which notice of payment of the Certificates is given pursuant to Section 2.14 of the Trust Indenture, then such event shall, at the option of Lessee, not constitute (or be deemed to be within the definition of) an Event of Loss. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"Excepted Property" has the meaning set forth in the Trust Indenture.

"Excess Payment Amount" has the meaning set forth in Section 16(a) of the Participation Agreement.

"Excess Payment Differential Amount" has the meaning set forth in Section 16(a) of the Participation Agreement.

"Federal Aviation Act" means the Federal Aviation Act of 1958, as amended.

"Government" means the government of any of the United States of America, Canada, France, the Federal Republic of Germany, Japan, The Netherlands, Sweden, Switzerland and the United Kingdom and any instrumentality or agency of any thereof, except that for purposes of the definition of "Event of Loss", the final sentence of Section 7(a), and Section 11, those instrumentalities and agencies included within the definition of "Government" shall be instrumentalities and agencies whose obligations bear the full faith and credit of the applicable government listed above.

"Indenture Default" has the meaning set forth in the Trust Indenture.

"Indenture Estate" has the meaning set forth in the Trust Indenture.

"Indenture Event of Default" has the meaning set forth in the Trust Indenture.

"Indenture Trustee" means NationsBank of Georgia, National Association, and each other Person which may from time to time be acting as indenture trustee under the Trust Indenture.

"Independent Appraisal" means an appraisal mutually agreed to by two nationally recognized independent aircraft appraisers, one of which appraisers shall be chosen by Lessor and one by Lessee, or, if such appraisers cannot agree on such appraisal, an appraisal arrived at by a third independent aircraft appraiser chosen by the mutual consent of such two appraisers, provided that, if either party shall fail to appoint an appraiser within 15 days after a written request to do so by the other party, or if such two appraisers cannot agree on such appraisal and fail to appoint a third appraiser within 20 days after the date of the appointment of the second of such appraisers, then either party may apply to the American Arbitration Association to make such appointment. In the event such third independent appraiser shall be chosen to provide such appraisal, unless the parties agree otherwise, such appraisal shall be required to be made within 20 days of such appointment. An "Independent Appraisal" of the fair market rental value or fair market sales value of the Aircraft shall mean an appraisal which assumes that the sale or lease transaction would be an arm's-length transaction between an informed and willing lessee or

buyer, as the case may be, under no compulsion to lease or buy, as the case may be, and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, and assumes that the Aircraft is unencumbered by this Lease or any renewal or purchase option hereunder and is in the condition required hereby; provided that an Independent Appraisal undertaken pursuant to Section 15 shall value the Aircraft on an "as-is, where-is" basis. The fees and expenses of appraisers for an Independent Appraisal, whenever undertaken pursuant to this Lease, shall be borne equally by Lessor and Lessee and each shall separately bear any fees, costs and expenses of its respective attorneys and experts (other than the appraisers referred to above) incurred in connection with such Independent Appraisal, except that the costs of an Independent Appraisal undertaken pursuant to Section 15 shall be for the account of Lessee.

"Interests" has the meaning set forth in Section 11(a).

"Interim Period" means the period from the Delivery Date to and including the day prior to the Base Lease Commencement Date.

"Lease Agreement", "this Lease Agreement", "this Lease", "this Agreement", "herein", "hereunder", "hereby" or other like words mean this Lease Agreement (together with the Rent Schedule, except in the case of any reference to this Lease Agreement as filed with the Federal Aviation Administration) as originally executed or as modified, amended or supplemented pursuant to the applicable provisions hereof and in accordance with the Trust Indenture, including, without limitation, supplementation hereof by one or more Lease Supplements entered into pursuant to the applicable provisions hereof.

"Lease Period" for the Aircraft means (i) the Interim Period and (ii) each of forty-nine consecutive semi-annual periods throughout the Term, the first such semi-annual period commencing on and including the Base Lease Commencement Date and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than the last such date).

"Lease Period Date" means the Base Lease Commencement Date and each succeeding January 2 and July 2, to and including July 2, 2017.

"Lease Supplement" means the Lease Supplement, substantially in the form of Exhibit A hereto, to be entered into between Lessor and Lessee for the purpose of leasing the Aircraft under and pursuant to the terms of this Lease, and any other Lease Supplement entered into subsequent to the Delivery Date.

"Lessor's Cost" for the Aircraft has the meaning set forth in the Rent Schedule.

"Lessor's Lien" means any Lien or disposition of title affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or in this Lease arising as a result of (i) claims against or affecting Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant not related to the transactions contemplated by this Lease or the Participation Agreement, or (ii) any act or omission of Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant not related to the transactions contemplated by this Lease or the Participation Agreement or not permitted under this Lease or the Participation Agreement, or (iii) Taxes or Claims imposed against Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant which are not indemnified against by Lessee pursuant to the Participation Agreement or the Tax Indemnity Agreement, or (iv) claims against or affecting Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant arising out of the transfer by Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant of any of their respective interests in the Aircraft (including, without limitation, by means of granting a security interest therein other than the lien of the Trust Indenture), other than a transfer of its interest in the Aircraft pursuant to Section 9, 10, 15 or 20 hereof.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Loan Certificate" or "Certificate" has the meaning set forth in the Trust Indenture.

"Loan Participant" means the Original Loan Participant, so long as it is the holder of a Loan Certificate, and any Permitted Transferee, so long as it is the holder of a Loan Certificate.

"Loan Participant Liens" means Liens as a result of (i) claims against any Loan Participant not related to the transactions contemplated by the Operative Documents and (ii) acts or omissions of any Loan Participant not related to the transactions contemplated by the Operative Documents or not permitted under the Operative Documents.

"Loss Payment Date" has the meaning set forth in Section 10(a).

"Manufacturer" means The Boeing Company, a Delaware corporation, and its successors and assigns.

"Manufacturer's Subsidiary" means Boeing Sales Corporation, a Guam corporation and a wholly-owned subsidiary of the Manufacturer, and its successors and assigns.

"Mortgage Convention" means the Convention on the International Recognition of Rights in Aircraft as in effect on the date hereof or as hereafter amended, modified or supplemented.

"Operative Documents" means this Agreement, each Lease Supplement, the Participation Agreement, the Trust Indenture, the Certificates, each Trust Agreement and Indenture Supplement, the Trust Agreement, the Bills of Sale, the Purchase Agreement Assignment and the Tax Indemnity Agreement.

"Original Loan Participant" means Trust Company Bank.

"Overdue Rate" means (a) with respect to the portion of any payment of Rent that would be required to be distributed to the Loan Participants or the Indenture Trustee pursuant to the terms of the Trust Indenture, the Past Due Rate as defined in the Trust Indenture and (b) with respect to the portion of any payment of Rent that would be required to be distributed to Lessor pursuant to the terms of the Trust Indenture or would be payable directly to Lessor, the Owner Participant or the Owner Trustee in its individual capacity, the lesser of 2% over the Base Rate and the maximum interest rate from time to time permitted by law.

"Owner Participant" means AT&T Credit Corporation, a Delaware corporation, and any other Person or

Persons to which the Owner Participant transfers its right, title and interest in and to the Trust Agreement, the Trust Estate and the Participation Agreement, in accordance with Article VIII of the Trust Agreement and Section 16(c) of the Participation Agreement, and their respective permitted successors and assigns.

"Owner Participant's Net Economic Return" has the meaning set forth in Section 15(a) of the Participation Agreement.

"Owner Participant's Revised Net Economic Return" has the meaning set forth in Section 15(a) of the Participation Agreement.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Trust Agreement and this Agreement.

"Participant" means each of the Owner Participant and any Loan Participant.

"Participation Agreement" means the Participation Agreement (AA 1992 AF-1), dated as of the date hereof, between Lessee, the Original Loan Participant, the Indenture Trustee, the Owner Participant and Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee), as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than (i) complete Engines or engines, (ii) any items leased by Lessee from a third party (other than items leased hereunder by Lessee from Lessor) and (iii) cargo containers that were not made solely for use on the Aircraft), which may from time to time be incorporated or installed in or attached to the Airframe or any Engine or which have been removed therefrom but as to which title remains vested in Lessor in accordance with Section 8 hereof.

"Permitted Air Carrier" has the meaning set forth in Section 7(b)(i).

"Permitted Investment" means each of (i) direct obligations of the United States of America, and agencies thereof; (ii) obligations fully guaranteed by the United States of America; (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the states thereof having combined capital and surplus and retained earnings of at least \$100,000,000 (including Lessor in its individual capacity or the Indenture Trustee in its individual capacity if such conditions are met); (iv) commercial paper of any holding company of a bank, trust company or national banking association described in clause (iii); (v) bearer note deposits with, or certificates of deposit issued by, or promissory notes of, any subsidiary incorporated under the laws of Canada (or any province thereof) of any bank, trust company or national banking association described in clause (iii), (viii) or (ix); (vi) commercial paper of companies having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to either of the two highest ratings assigned by such organization; (vii) U.S. dollar-denominated certificates of deposit issued by, or time deposits with, the European subsidiaries of (a) any bank, trust company or national banking association described in clause (iii), or (b) any other bank described in clause (viii) or (ix), having a rating of A, its equivalent or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (viii) U.S.-issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by, any bank having combined capital and surplus and retained earnings of at least \$100,000,000 and headquartered in Canada, Japan, the United Kingdom, France, the Federal Republic of Germany, Switzerland or The Netherlands, having a rating of A, its equivalent or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (ix) U.S. dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earn-

ings of at least \$100,000,000, having a rating of A, its equivalent or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (x) Canadian Treasury Bills fully hedged to U.S. dollars; (xi) repurchase agreements with any financial institution having combined capital and surplus and retained earnings of at least \$50,000,000 (including Lessor in its individual capacity or the Indenture Trustee in its individual capacity if such conditions are met) collateralized by transfer of possession of any of the obligations described in clauses (i) through (x) above; (xii) bonds, notes or other obligations of any state of the United States of America, or any political subdivision of any such state, or any agencies or other instrumentalities of any such state, including, but not limited to, industrial development bonds, pollution control revenue bonds, public power bonds, housing bonds, other revenue bonds or any general obligation bonds, provided that, at the time of their purchase, such obligations are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at any time, by any nationally recognized rating organization in the United States of America); or (xiii) bonds or other debt instruments of any company, if such bonds or other debt instruments, at the time of their purchase, are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at such time, by any nationally recognized rating organization in the United States of America).

"Permitted Liens" means Liens referred to in clauses (i) through (vii) of Section 6.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Prepaid Rent" has the meaning set forth in Section 3(f).

"Purchase Agreement" means the Purchase Agreement, dated as of June 23, 1989, between the Manufacturer

and Lessee (as heretofore amended, modified and supplemented), providing, among other things, for the manufacture and sale by the Manufacturer to Lessee (or to financing entities designated by Lessee) of certain Boeing Model 767 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment (AA 1992 AF-1), dated as of the date hereof, between Lessee and Lessor, pursuant to which Lessee assigns to Lessor certain of Lessee's rights and interests under the Purchase Agreement with respect to the Aircraft, which Purchase Agreement Assignment has annexed thereto, and which defined term shall be deemed to include, a Consent and Agreement thereto executed by the Manufacturer and an Agreement of Subsidiary executed by the Manufacturer's Subsidiary, all as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof and of the other Operative Documents.

"Reimbursement Amount" has the meaning set forth in Section 3(f).

"Renewal Term" has the meaning set forth in Section 20(a).

"Renewal Term Rate" has the meaning set forth in the Rent Schedule.

"Rent" means Basic Rent and Supplemental Rent, collectively.

"Rent Schedule" means the Rent Schedule, dated as of the date hereof, between Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee, as originally executed or as modified, amended or supplemented pursuant to the applicable provisions of the Operative Documents.

"Replacement Aircraft" means the Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" means a Boeing 767-300 aircraft or a comparable or improved model of such aircraft of the Manufacturer (except Engines or engines from time to time installed thereon) which shall have been

leased hereunder pursuant to Section 10(a), together with all Parts relating to such aircraft.

"Replacement Engine" means a General Electric CF6-80C2B6 engine (or an engine of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine leased hereunder) which shall have been leased hereunder pursuant to Section 5(b), 9(g), 10(a) or 10(b), together with all Parts relating to such engine.

"Responsible Officer" means, with respect to Lessee, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer or any other management employee (a) whose power to take the action in question has been authorized, directly or indirectly, by the Board of Directors of Lessee, (b) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (c) whose responsibilities include the administration of the transactions and agreements, including this Lease, contemplated by the Participation Agreement and the other Operative Documents.

"Special Purchase Option Date" has the meaning set forth in Section 20(b).

"Special Purchase Price" has the meaning set forth in Section 20(b).

"Special Purchase Price Percentage" has the meaning set forth in the Rent Schedule.

"Special Termination Date" has the meaning set forth in the Rent Schedule.

"Special Termination Price" has the meaning set forth in Section 9(e).

"Stipulated Loss Value" payable with respect to an Event of Loss for the Aircraft means (i) the amount determined by multiplying Lessor's Cost for the Aircraft by the Stipulated Loss Value Percentage set forth in Exhibit B to the Rent Schedule opposite the Casualty Loss Determination Date next preceding the Loss Payment Date (or, if the Loss Payment Date occurs on a Casualty Loss

Determination Date, by the Stipulated Loss Value Percentage set forth opposite such Casualty Loss Determination Date), as such percentage may be adjusted as provided below, plus (ii) an amount equal to the interest accruing on the outstanding Certificates for the period from and including such Casualty Loss Determination Date to but excluding the Loss Payment Date for the Aircraft, plus (iii) an amount equal to the interest accruing on the Equity Portion (as defined in the next sentence) at the Base Rate for the period from and including such Casualty Loss Determination Date to but excluding such Loss Payment Date; provided that during any Renewal Term, "Stipulated Loss Value" shall be determined as provided in Section 20. For purposes of the preceding sentence, the term "Equity Portion" shall mean an amount equal to the excess, if any, of the amount calculated pursuant to clause (i) of such preceding sentence over the aggregate unpaid principal of, and the aggregate unpaid accrued interest on, the outstanding Certificates as of such Casualty Loss Determination Date. Anything contained herein or in the Participation Agreement to the contrary notwithstanding, Stipulated Loss Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e) or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee hereunder in connection with such Event of Loss (other than Supplemental Rent payable in respect of the Break Amount, if any, and amounts other than principal or interest owing to the holders of Certificates under the Trust Indenture in connection with such Event of Loss), will be at least sufficient to pay in full as of the date of the payment thereof the aggregate unpaid principal of the outstanding Certificates together with all unpaid interest thereon accrued to the date on which such payment is paid in accordance with the terms hereof. The Stipulated Loss Value Percentages set forth in Exhibit B to the Rent Schedule have been computed on the assumption that each Certificate will bear interest throughout the term at the Assumed Debt Rate for such Certificate. To the extent that the aggregate amount of interest payable on the Certificates from and including the Lease Period Date next preceding a Casualty Loss Determination Date to but excluding such Casualty Loss Determination Date is greater or less than the amount included in calculating the Stipulated Loss Value Percentage set forth in Exhibit B to the Rent Schedule with respect to such Casualty Loss Determination Date on account of

such Assumed Debt Rate, such percentage shall be increased or decreased to compensate for such differential.

"Supplemental Rent" means all amounts, liabilities and obligations (other than Basic Rent) which Lessee assumes or is obligated or agrees to pay hereunder, under the Participation Agreement, the Tax Indemnity Agreement, the Lease Supplement, the Purchase Agreement Assignment or the Bills of Sale (or under any other agreement of Lessee expressly providing that amounts, liabilities and obligations which Lessee assumes or is obligated or agrees to pay thereunder shall be Supplemental Rent) to Lessor or others, including, without limitation, payments of Stipulated Loss Value, Termination Value and amounts calculated with reference thereto.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement (AA 1992 AF-1), dated as of the date hereof, between Lessee and the Owner Participant.

"Taxes" has the meaning set forth in Section 7(c) of the Participation Agreement.

"Term" means the term for which the Aircraft is leased pursuant to Section 3(a) hereof and Section (iii) of the Lease Supplement relating to the Aircraft except that, during any Renewal Term, "Term" shall also mean such Renewal Term, as specified in Section 20(a).

"Termination Date" has the meaning set forth in Section 9(a).

"Termination Value" for the Aircraft as of any date of determination means the amount determined by multiplying Lessor's Cost for the Aircraft by the Termination Value Percentage set forth in Exhibit C to the Rent Schedule opposite the Termination Value Determination Date next preceding such date of determination (or, if such date of determination is a Termination Value Determination Date, by the Termination Value Percentage set forth opposite such Termination Value Determination Date) as such percentage may be adjusted as provided below, provided that during any Renewal Term, "Termination Value" shall be determined as provided in Section 20. "Termination Value" for the Airframe or any Engine as of any date of determination means a portion of the Termination Value for the Aircraft, computed as of such date of determination, which bears the same ratio to such Termination Value for the

Aircraft as the original cost (as reasonably determined by Lessor after consultation with Lessee and the Manufacturer) to Lessor of the Airframe or such Engine bears to Lessor's Cost for the Aircraft. Anything contained herein or in the Participation Agreement to the contrary notwithstanding, Termination Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e) or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee hereunder in connection with such Event of Loss (other than Supplemental Rent payable in respect of the Break Amount, if any, and amounts other than principal or interest owing to the holders of Certificates under the Trust Indenture in connection with such Event of Loss), will be at least sufficient to pay in full as of the date of the payment thereof the aggregate unpaid principal of the outstanding Certificates together with all unpaid interest thereon accrued to the date on which such payment is paid in accordance with the terms hereof. The Termination Value Percentages set forth in Exhibit C to the Rent Schedule have been computed on the assumption that each Certificate will bear interest throughout the term at the Assumed Debt Rate for such Certificate. To the extent that the aggregate amount of interest payable on the Certificates from and including the Lease Period Date next preceding a Termination Value Determination Date to but excluding such Termination Value Determination Date is greater or less than the amount included in calculating the Termination Value Percentage set forth in Exhibit C to the Rent Schedule with respect to such Termination Value Determination Date on account of such Assumed Debt Rate, such percentage shall be increased or decreased to compensate for such differential.

"Termination Value Determination Date" means each of the dates specified in Exhibit C to the Rent Schedule which is the same as or immediately precedes the date with respect to which Termination Value is to be determined.

"Transaction Costs" has the meaning set forth in Section 18(a) of the Participation Agreement.

"Trust Agreement" means the Trust Agreement (AA 1992 AF-1), dated as of the date hereof, between the Owner Participant and Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner

Trustee), as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof and in accordance with the other Operative Documents, including, without limitation, supplementation thereof by one or more Trust Agreement and Indenture Supplements entered into pursuant to the applicable provisions of such Trust Agreement and of the other Operative Documents.

"Trust Agreement and Indenture Supplement" means a supplement to the Trust Indenture and to the Trust Agreement, substantially in the form of Exhibit A to the Trust Indenture.

"Trust Estate" has the meaning specified in the Trust Agreement.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of the date hereof, between Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee) and the Indenture Trustee, as originally executed or as modified, amended or supplemented by one or more Trust Agreement and Indenture Supplements or indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

"Trustee's Liens" has the meaning specified in Section 5.04 of the Trust Indenture.

"Unearned Advance Basic Rent" means, as of any date of determination, the amount determined by multiplying the portion, if any, of the Basic Rent installment for the Lease Period in which such date of determination occurs designated in Exhibit A-1 to the Rent Schedule as having been payable in advance by a fraction, the numerator of which shall be the actual number of days in the period from and including such date of determination to but excluding the last day of such Lease Period, and the denominator of which shall be the actual number of days in such Lease Period.

Section 2. Acceptance and Leasing of Aircraft. Lessor hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 4 of the Participation Agreement) to accept delivery of, and simultaneously to lease to Lessee hereunder, and Lessee hereby agrees (subject to satisfaction or waiver of the conditions set forth

in Section 11 of the Participation Agreement) to lease from Lessor hereunder, the Aircraft, as evidenced by the execution by Lessor and Lessee of a Lease Supplement covering the Aircraft. Lessor shall authorize one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to accept delivery of the Aircraft pursuant to the Participation Agreement. Lessee hereby agrees to deliver the Aircraft within the United States to Lessor, and Lessor hereby authorizes one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to ultimately deliver the Aircraft outside the United States within one year after the date of the acceptance of delivery of the Aircraft from Lessee under the Participation Agreement, as contemplated by Section 5(d) of the Tax Indemnity Agreement. Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives on behalf of Lessor shall, without further act, irrevocably constitute acceptance by Lessee of the Aircraft for all purposes of this Lease.

Section 3. Term and Rent. (a) Term. Except as otherwise provided herein, the Term for the lease of the Aircraft hereunder shall commence on the Delivery Date and end on the Base Lease Expiration Date.

(b) Basic Rent. Lessee hereby agrees to pay Lessor Basic Rent for the Aircraft throughout the Term in consecutive semiannual installments payable on each Lease Period Date commencing on the Base Lease Commencement Date. Each such installment of Basic Rent in respect of the Aircraft shall be in an amount determined by multiplying Lessor's Cost by the Basic Rent percentage set forth in Exhibit A to the Rent Schedule for the applicable Lease Period Date.

Although the Basic Rent percentages set forth in Exhibit A to the Rent Schedule have been computed on the assumption that each Certificate will bear interest at the Assumed Debt Rate for such Certificate throughout the Term, Lessor and Lessee recognize that the actual rate of interest on each Certificate may be a rate from time to time which may be greater or less than the Assumed Debt Rate for such Certificate and that the related basis upon which interest on the Certificates will be computed will be as provided in the Trust Indenture. Accordingly, each installment of Basic Rent shall be increased or decreased,

as the case may be, by an amount (the "Rent Differential Amount") equal to, as of any Lease Period Date on which Basic Rent is payable, the difference between (i) the aggregate amount of interest actually due and payable on such Lease Period Date on the Certificates for the period from and including the Lease Period Date next preceding such Lease Period Date to but excluding such Lease Period Date, determined as provided in the Trust Indenture, and (ii) the aggregate amount of interest on the Certificates that would have been due and payable on such Lease Period Date if each Certificate had borne interest at the Assumed Debt Rate for such Certificate for the period from and including the Lease Period Date next preceding such Lease Period Date to but excluding such Lease Period Date. If, as of any Lease Period Date on which Basic Rent is payable, the amount determined in accordance with clause (i) of the immediately preceding sentence shall be greater than the amount determined in accordance with clause (ii) of such sentence, the amount of Basic Rent payable on such Lease Period Date shall be increased by the Rent Differential Amount. If, as of any Lease Period Date on which Basic Rent is payable, the amount determined in accordance with such clause (ii) shall be greater than the amount determined in accordance with such clause (i), the amount of Basic Rent due on such Lease Period Date shall be decreased by the Rent Differential Amount. The interest actually accruing with respect to the Certificates shall be as specified by the notification to be delivered by the Indenture Trustee to Lessor, Lessee and the Owner Participant as provided in Section 1(c) of the Participation Agreement.

Anything contained herein or in the Participation Agreement to the contrary notwithstanding, each installment of Basic Rent (both before and after any adjustment pursuant to Section 3(e), or any deduction pursuant to Section 3(f)), as well as the amount of any Prepaid Rent paid pursuant to Section 3(f), together with any payment made by the Owner Participant under Section 16(a) of the Participation Agreement, shall be, under any circumstances and in any event, in an amount at least equal to, as of the due date of such installment, or Base Lease Commencement Date, as the case may be, the amount of principal of and interest on the Certificates required to be paid by Lessor pursuant to the Trust Indenture on the due date of such installment of Basic Rent or on the Base Lease Commencement Date, as the case may be. Further, and anything contained herein or in the Participation Agree-

ment to the contrary notwithstanding, Termination Value and Stipulated Loss Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e), or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts (excluding Excepted Payments) then required to be paid by Lessee hereunder in connection therewith, will be at least equal to, as of the date of payment thereof, the aggregate unpaid principal of the outstanding Certificates, together with all unpaid interest thereon accrued to the date on which such amount is paid in accordance with the terms hereof.

Basic Rent accrues or is earned with respect to each Lease Period in accordance with Exhibit A-1 to the Rent Schedule.

(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise as in the case of nonpayment of Basic Rent. In addition, Lessee will pay as Supplemental Rent (i) on demand, an amount equal to interest at the applicable Overdue Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or demanded, as the case may be, for the period until the same shall be paid, (ii) in the case of any prepayment of the Certificates pursuant to Section 2.12 or 2.14 of the Trust Indenture or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture, on the date the same is payable by Lessor under the Trust Indenture, an amount equal to the Break Amount, if any, payable with respect to the Certificates and (iii) any amounts payable by Lessor under Section 2.18 of the Trust Indenture; provided that notwithstanding anything to the contrary set forth in any Operative Document or any document or instrument relating thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of the Break Amount, if any, payable with respect to the Certificates, as a result of (i) a prepayment of the Certificates or a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event

of Default or (ii) an Indenture Default that does not also constitute an Event of Default. All Supplemental Rent to be paid pursuant to this Section 3(c) shall be payable in the type of funds and in the manner set forth in Section 3(d).

(d) Payment to Lessor. All Rent shall be paid by Lessee to Lessor at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-1), in funds consisting of lawful currency of the United States of America which shall be immediately available at such office of Lessor not later than 1:00 p.m., New York City time, on the date of payment, provided that so long as the Trust Indenture shall not have been discharged pursuant to the terms thereof, Lessor hereby directs, and each of Lessor and Lessee agrees, that all Rent (excluding Excepted Property) or other sums payable to Lessor hereunder or pursuant hereto shall be paid directly to the Indenture Trustee at the times and in funds of the type specified in this Section 3(d) at the offices of the Indenture Trustee at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-1), or at such other location in the United States as the Indenture Trustee may otherwise direct. Whenever the date scheduled for any payment of Rent to be made hereunder shall not be a Business Day, then such payment need not be made on such scheduled date but may be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date and (provided such payment is made on such next succeeding Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date to the time of such payment on such next succeeding Business Day.

(e) Adjustments to Basic Rent, Stipulated Loss Value and Termination Value. In the event that (i) the Transaction Costs (as such term is defined in Section 18(a) of the Participation Agreement) are less or more than 1.0% of Lessor's Cost, or (ii) prior to the acceptance of the Aircraft on the Delivery Date: (A) there shall have occurred a Change in Tax Law and (B) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 of the Participation Agreement to decline to proceed with the transaction, or (iii) a refunding or refinancing as contemplated by

Section 17 or Section 20 of the Participation Agreement occurs, or (iv) the Delivery Date is other than June 17, 1992, or (v) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (after adjustment for any Excess Payment Differential Amount) is other than \$2,534,836.99, then, in each such case, all payments of Basic Rent, Excess Payment Amount and Stipulated Loss Values and Termination Values with respect to the Term will, subject always to the penultimate paragraph of Section 3(b), be adjusted (upwards or downwards, as the case may be) in accordance with the provisions of Section 18 or Section 20, as applicable, of the Participation Agreement to preserve the Owner Participant's Net Economic Return, or the Owner Participant's Revised Net Economic Return, as the case may be, and, to the greatest extent possible, to minimize the net present value of the payments of Basic Rent. In addition, in the event of a refunding or refinancing as contemplated by Section 17 or Section 20 of the Participation Agreement, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in accordance with the provisions of Section 18 or Section 20, as applicable, of the Participation Agreement.

(f) Prepayments of Certain Rent Payments. To the extent, if any, that there shall not have been received by the Indenture Trustee at the office of Indenture Trustee referred to in Section 3(d) hereof, by 1:00 p.m., New York City time, on the Base Lease Commencement Date from Lessor, an amount equal to the Excess Payment Amount, Lessee shall advance to Lessor on the Base Lease Commencement Date an amount equal to the Excess Payment Amount not so paid (such amount being herein called "Prepaid Rent") provided that Lessee will also pay to the Indenture Trustee, on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the Overdue Rate on any Excess Payment Amount not paid by the Owner Participant when due for any period for which the same shall be overdue. Any Rent prepaid pursuant to this Section 3(f) shall be offset against installments of Basic Rent in the order in which they become due, subject to the penultimate sentence of this paragraph. Lessor agrees to reimburse Lessee in the manner and subject to the conditions provided in the following sentence for (x) the Prepaid Rent so paid by Lessee determined as of the date such payment was made, plus (y) the Supplemental Rent so paid by Lessee pursuant to this Section 3(f) plus (z) accrued interest on

the unreimbursed portion thereof at a rate per annum equal to the Overdue Rate plus three percent (3%) from the date such amount is paid by Lessee to but not including the date of each such reimbursement (such amounts to be reimbursed being herein called the "Reimbursement Amount"). So long as no Event of Default has occurred and is continuing, Lessee may with written notice to the Owner Participant and Indenture Trustee offset (without duplication) against each succeeding payment (other than as limited by the proviso to this sentence) due from Lessee to Lessor in respect of Basic Rent, Stipulated Loss Value, Termination Value or any other amount due hereunder to Lessor, until Lessee has been fully reimbursed for the Reimbursement Amount; provided, however, that in the case of any payment due from Lessee which is distributable under the terms of the Indenture, Lessee's right of offset shall be limited to amounts distributable to Lessor or the Owner Participant thereunder. No such offset or aggregate combined effect of separate offsets shall reduce the amount of any installments of Basic Rent to an amount insufficient, together with all other amounts payable simultaneously by Lessee, to pay in full the payments then required to be made on account of the principal of and interest on the Certificates then outstanding. Notwithstanding any provision of this Section 3(f) to the contrary, Lessee's obligation to advance an amount equal to the Excess Payment Amount shall terminate at such time as its obligation to pay Basic Rent terminates under this Lease.

Section 4. Lessor's Representations, Warranties and Covenants; Quiet Enjoyment. (a) Lessor's Representations, Warranties and Covenants. NONE OF LESSOR (IN ITS INDIVIDUAL CAPACITY OR AS OWNER TRUSTEE), THE OWNER PARTICIPANT, ANY LOAN PARTICIPANT, OR THE INDENTURE TRUSTEE MAKES OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, AND LESSEE HEREBY WAIVES, RELEASES AND RENOUNCES ANY REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, WORKMANSHIP, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY ENGINE OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, OR AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, WHETHER IN STRICT OR ABSOLUTE LIABILITY OR ARISING FROM THE NEGLIGENCE OF LESSOR, INDENTURE TRUSTEE, ANY LOAN PARTICIPANT, OR THE OWNER PARTICIPANT, ACTUAL OR IMPUTED, OR ANY OTHER REPRE-

SENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, except that Lessor in its individual capacity represents and warrants that on the Delivery Date Lessor shall have received whatever rights, title and interests in, to and under the Aircraft were conveyed to it by Lessee and Lessor represents, warrants and covenants in its individual capacity that the Aircraft shall be free of Lessor's Liens attributable to it in its individual capacity. Lessor also represents and warrants in its individual capacity that it is, in its individual capacity, a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act (without the use of a voting trust agreement or voting powers agreement).

(b) Quiet Enjoyment. Lessor covenants that, so long as no Event of Default shall have occurred and be continuing, it will not take any action contrary to Lessee's rights under this Lease, or otherwise in any way interfere with the quiet enjoyment of the use and possession of the Aircraft, the Airframe or any Engine by Lessee or any sublessee, assignee or transferee under any sublease, assignment or transfer then in effect and permitted by the terms of this Lease.

Section 5. Return of Aircraft. (a) Return of Airframe and Engines. Upon the termination of this Lease at the end of the Term, a Renewal Term or pursuant to Section 9 or Section 15, unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Section 9(e), 20(b) or 20(c), Lessee will return the Aircraft by delivering the same, at its own expense, to any airport chosen by Lessee in the United States which is on Lessee's route system or, if Lessor has requested storage pursuant to Section 5(d), to the location determined in accordance with Section 5(d), fully equipped with two Engines (which may be Replacement Engines), or other General Electric CF6-80C2B6 engines (or engines of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe) owned by Lessee (and each such engine shall be of the same make, model and manufacture as the other Engine or engine installed on the Airframe), duly installed thereon. At the time of such return, (A) such Airframe and Engines or engines (i) shall be, if the Aircraft is then registered under the laws of the United States, duly certificated as an airworthy aircraft by the Federal Aviation Administration or, if the Aircraft is not then registered under the laws of the United States as

provided in the penultimate sentence of this Section 5(a), shall be duly certificated as an airworthy aircraft by the central civil aviation authority of the jurisdiction in which the Aircraft is then registered, and, in addition, if the Aircraft is not registrable in the United States because one of the conditions specified in the proviso to such sentence apply, shall be eligible for certification as an airworthy aircraft by the Federal Aviation Administration, (ii) shall be free and clear of all Liens (other than Lessor's Liens and Permitted Liens of the type described in clause (i) or (iii) of Section 6), (iii) shall be in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted, or, in the case of any such engines owned by Lessee, shall have a value and utility at least equal to, and shall be in as good operating condition as required by the terms hereof with respect to, Engines constituting part of the Aircraft but not then installed on the Airframe and (iv) in the event that Lessee does not use a progressive overhaul program in which no out-of-service phase with respect to the Airframe exceeds 240 hours or a condition-monitored maintenance program with respect to such Engines or engines, and Lessee adopts a time-related overhaul program with respect to the Airframe or a scheduled shop visit or module change maintenance program with respect to such Engines or engines, or both, such Airframe shall have at least 1,500 hours of operation remaining to the next heavy maintenance visit and the aggregate number of hours of operation on all such Engines or engines remaining until the next scheduled shop visit or module change shall be at least 3,000 hours and (B) such Aircraft shall, except as otherwise provided herein, be clean and in a configuration suitable for commercial passenger service, and shall be in compliance with all mandatory environmental, noise, air pollution and other standards prescribed by the Federal government of the United States of America and applicable to the Aircraft and shall have all of Lessee's and any other Person's exterior markings removed or painted over with the areas thereof refinished to match adjacent areas. In the event that Lessee has adopted a time-related overhaul program with respect to the Airframe and does not meet the above conditions with respect thereto, Lessee shall pay Lessor a dollar amount computed by multiplying (i) 115% of Lessee's direct cost (during the preceding twelve months) of such heavy maintenance visit by (ii) a fraction of which (x) the numerator shall be the difference between 1,500 hours and the actual number of hours of operation remaining on the Airframe to the next heavy

maintenance visit and (y) the denominator shall be the aggregate number of hours allowable between heavy maintenance visits. In the event that Lessee has adopted a scheduled shop visit or module change program with respect to such Engines or engines and Lessee does not meet the above conditions with respect to such Engines or engines, Lessee shall pay Lessor a dollar amount computed by multiplying (i) the product of (x) 115% of Lessee's direct cost (during the preceding twelve months) of such scheduled shop visit or module change and (y) the number of Engines or engines returned by (ii) a fraction of which (A) the numerator shall be the difference between 3,000 hours and the actual aggregate number of hours of operation remaining to the next scheduled shop visit or module change for the Engines or engines on the Aircraft and (B) the denominator shall be the aggregate number of hours allowable between scheduled shop visits or module changes for such Engines or engines. At the time of such return, Lessee will, unless requested by Lessor at least 90 days prior to such time of return to retain the existing registration of the Aircraft, cause the Aircraft, if it is not then so registered, to be registered under the laws of the United States with the Federal Aviation Administration in the name of Lessor or its designee; provided that Lessee shall be relieved of its obligations under this sentence if (x) such registration is prohibited by reason of the failure of Lessor, the Owner Participant or Lessor's designee to be eligible on such date to own an aircraft registered with the Federal Aviation Administration or (y) such registration is otherwise prohibited by applicable law and such prohibition does not result from an act or failure to act on the part of Lessee or any sublessee. In the event the Federal Aviation Administration shall issue any directive which would require improvements to the Aircraft in order for the airworthiness certificate of the Aircraft to be maintained in good standing, and if such directive by its terms is not applicable to the Aircraft prior to the return thereof pursuant to this Section 5, Lessee shall nevertheless comply with such directive if, prior to such return, (x) Lessee commences compliance with such directive with respect to any other Boeing 767-300 aircraft affected by such directive and in use by Lessee and (y) subsequent to any such commencement, the Aircraft is subjected to a maintenance check of the type at which such modification is made, in accordance with Lessee's general maintenance program.

(b) Return of Engines. In the event that any engine not owned by Lessor shall be delivered with the Airframe as set forth in paragraph (a) of this Section 5, Lessee, concurrently with such delivery, will, at its own expense, furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Lessor's Liens and Permitted Liens of the type described in clause (i) of Section 6), with respect to each such engine and with a written opinion of Lessee's counsel (which may be Lessee's General Counsel) to the effect that such bill of sale constitutes an effective instrument for the conveyance of title to such engine to Lessor, and thereupon Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to an Engine constituting part of the Aircraft but not installed on the Airframe at the time of the return of the Airframe.

(c) Fuel; Manuals. Upon the return of the Airframe pursuant to this Section 5, (i) Lessee shall have no obligation with respect to the amount of fuel or oil contained in the Airframe and all fuel or oil remaining on board the Airframe shall be the property of Lessor without charge and (ii) Lessee shall deliver or cause to be delivered to Lessor all logs, manuals and data, and inspection, modification and overhaul records required to be maintained with respect thereto under applicable rules and regulations of the Federal Aviation Administration and, if the Aircraft has been registered under the laws of a jurisdiction other than the United States, of the applicable foreign governmental authority, and the warranty bill of sale relating to the Aircraft received from the Manufacturer.

(d) Storage upon Return. Upon written request of Lessor received at least 30 days prior to the end of the Term, Lessee will provide Lessor with storage facilities free of charge except as provided below for the Aircraft for a period not exceeding 30 days at such location in the United States on Lessee's route system used by Lessee for the storage of surplus aircraft or engines available for sale as shall be designated by Lessee; provided that Lessor may request that the Aircraft be stored at any other location in the United States on Lessee's route system used by Lessee for such purpose, in which case Lessee may, in its sole discretion, provide such facilities for such period. Any storage facilities provided by Lessee

for the Aircraft pursuant to this Section 5(d) shall, in all cases, be at the cost to Lessor of insurance and Lessee's out-of-pocket costs in connection with providing such facilities (it being understood that such out-of-pocket costs shall not be deemed to include the cost of making the storage facilities available) and at the risk of Lessor. In the event Lessor, after a storage location is determined as provided in the first sentence of this Section 5(d), shall request Lessee to deliver the Aircraft to a second location, Lessee will, at Lessor's expense, fly the Aircraft within such 30-day period to a reasonable location selected by Lessor in the United States, for storage at the risk and expense of Lessor, upon receipt of evidence of insurance coverage (reasonably satisfactory to Lessee) as set forth in Section 11(a), provided that (i) Lessee shall not be required to store the Aircraft at any location used by Lessee for storage of surplus aircraft available for sale except as provided in the first sentence of this Section 5(d) and (ii) the delivery by Lessee of the Aircraft to the first location determined as provided in such sentence shall constitute delivery of the Aircraft as required by Section 5(a). Lessor, at its expense, may place such other insurance in such circumstances on the Aircraft as it may deem appropriate. Lessee shall, at Lessor's request, maintain insurance (if available) for the Aircraft during such period of storage and shall be reimbursed by Lessor for the cost thereof.

(e) Delayed Return. (i) In the event that the use of the Aircraft, Airframe or any Engine in the normal course of the business of air transportation is prohibited on the last day of the Term or the date the Aircraft is required to be redelivered pursuant to Section 9, Lessee shall, upon prompt notice of the reasons therefor to Lessor, not be required to return such Aircraft to Lessor but may retain custody and control of the Aircraft for a period not in excess of 180 days beyond the last day of the Term or such date in order to attempt in a diligent manner to remedy any condition prohibiting such use or (ii) in connection with any sublease of the Aircraft by Lessee permitted under the terms of this Lease, Lessee may at its option, upon written notice to Lessor given not less than 30 days prior to the last day of the Term or such date, extend this Lease for a period not in excess of 60 days beyond the last day of the Term in order to enable Lessee to bring the Aircraft to the condition required under this Section 5 on its return to Lessor; provided that in either case, Lessee shall pay to Lessor at monthly

intervals the daily equivalent of 50% of the average annual Basic Rent payable during the Term (excluding the Interim Period) pursuant to the terms hereof for each day of such period.

(f) Overhaul. Immediately prior to the return of the Airframe and Engines or engines at the end of the Term, Lessee, upon written request of Lessor received at least 30 days prior to the end of the Term, and subject to the availability of the appropriate facilities, will overhaul or cause to be overhauled such Airframe and Engines or engines. Such overhaul shall be done in the same manner and same care as used by Lessee with similar airframes and engines of its own, and Lessor shall reimburse Lessee for such overhaul by payment of an amount equal to 110% of Lessee's actual costs in connection with such overhaul. This provision is not intended and shall not be construed to diminish or modify Lessee's other obligations under this Section 5.

Section 6. Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Airframe or any Engine, title thereto or any interest therein or in this Lease except (i) the respective rights of Lessor and Lessee as herein provided, the Lien created under the Trust Indenture, the rights of Lessor under the Purchase Agreement Assignment and the rights of the Owner Participant, the Owner Trustee and the Indenture Trustee under the Trust Agreement, the Trust Indenture, and the Participation Agreement, (ii) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 7(b) and 8(b), (iii) Lessor's Liens, Loan Participant Liens and Trustee's Liens, (iv) Liens for Taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss (or loss of use) of the Airframe or any Engine or interest therein, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of Lessee's business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss (or loss of use) of the Airframe or any

Engine or interest therein, (vi) Liens arising out of judgments or awards against Lessee with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review so long as such judgment or award does not and will not involve any material risk or danger of the sale, forfeiture or loss (or loss of use) of the Airframe or any Engine or any interest therein and (vii) salvage or similar rights of insurers under insurance policies maintained pursuant to Section 11. Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

Section 7. Registration, Maintenance and Operation;  
Possession; Insignia. (a) Registration, Maintenance and Operation. Lessee, at its own cost and expense, shall:

(i) forthwith upon the delivery thereof to Lessor on the Delivery Date cause the Aircraft to be duly registered, and at all times thereafter to remain duly registered, under the laws of the United States, in the name of Lessor, as owner, except (x) as otherwise required by the Federal Aviation Act, or (y) to the extent that such registration cannot be effected because of Lessor's or the Owner Participant's failure to comply with the citizenship or other eligibility requirements for registration of aircraft under such Act; provided that Lessor shall execute and deliver all such documents as Lessee shall reasonably request for the purpose of effecting and continuing such registration. Notwithstanding the preceding sentence, but subject always to the terms and conditions set forth in Section 9(m) and 9(n) of the Participation Agreement, Lessee may cause the Aircraft to be duly registered under the laws of any jurisdiction in which a sublessee pursuant to Section 7(b)(ix) could be principally based, in the name of Lessor or of any nominee of Lessor, or, if required by applicable law, in the name of Lessee or any other Person, and shall thereafter maintain such registration unless and until changed as provided herein and therein; and Lessor will cooperate with Lessee in effecting such foreign registration;

(ii) maintain, service, repair, overhaul and test the Aircraft in accordance with a maintenance program (as approved by the Federal Aviation Administration) for Boeing 767-300 series aircraft (or, at Lessee's option, (x) in the event that the Aircraft is re-registered in another jurisdiction pursuant to Section 7(a)(i), in accordance with an aircraft maintenance program approved by the central civil aviation authority of the jurisdiction of such registration or (y) in the event of any sublease to a foreign air carrier in accordance with Section 7(b)(ix), approved by the central civil aviation authority of one of the jurisdictions specified in clause (y) of such Section 7(b)(ix)) and in the same manner and with the same care used by Lessee with respect to comparable aircraft and engines owned or operated by Lessee and utilized in similar circumstances so as to keep the Aircraft in as good operating condition as when delivered to Lessee by the Manufacturer, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times (other than during temporary periods of storage in accordance with applicable regulations or during periods of grounding by applicable governmental authorities, except where such periods of grounding are the result of the failure by Lessee to maintain the Aircraft as otherwise required herein) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction and in compliance with all applicable manufacturer's alert service bulletins;

(iii) maintain, in the English language, all records, logs and other materials required by the appropriate authorities in the jurisdiction where the Aircraft is registered to be maintained in respect of the Aircraft; and

(iv) promptly furnish to Lessor such information as may be required to enable Lessor to file any reports, returns or statements required to be filed by Lessor with any governmental authority because of Lessor's or the Owner Participant's interest in the Aircraft.

Lessee agrees that the Aircraft will not be maintained, used or operated in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority; provided that Lessee shall not be in default under this sentence if it is not possible for it to comply with the laws of a jurisdiction other than the United States (or other than any jurisdiction in which the Aircraft is then registered) because of a conflict with the applicable laws of the United States (or such jurisdiction in which the Aircraft is then registered). In the event that any such law, rule, regulation or order requires alteration of the Aircraft, Lessee will conform thereto or obtain conformance therewith at no expense to Lessor and will maintain the Aircraft in proper operating condition under such laws, rules, regulations and orders; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture, provided that neither noncompliance with such law, rule, regulation or order nor such proceedings shall involve any danger of criminal liability to Lessor or the Owner Participant or (unless Lessee shall have provided security reasonably satisfactory to Lessor) any material danger of the sale, forfeiture or loss (or loss of use) of the Aircraft. Lessee also agrees not to operate or locate the Aircraft, or suffer the Aircraft to be operated or located, (i) in any area excluded from coverage by any insurance required by the terms of Section 11, except in the case of a requisition for use by any Government where Lessee obtains indemnity pursuant to Section 11 in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 covering such area, or (ii) in any war zone or recognized or, in Lessee's judgment, threatened area of hostilities unless covered by war risk insurance in accordance with Section 11, but only so long as the same remains in effect while the Aircraft is so operated or located, or unless the Aircraft is operated or used under contract with any Government entered into pursuant to Section 11, under which contract such Government assumes liability for any damage, loss, (or loss of use) destruction or failure to return possession of the Aircraft at the end of the term of such con-

tract and for injury to persons and damage to property of others.

(b) Possession. Lessee will not, without the prior written consent of Lessor, sublease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided that, so long as no Event of Default (or, only so long as the Original Loan Participant shall be a holder of any Certificate, as to any sublease pursuant to the provisions of clause (ix) of this Section 7(b), an event that with the giving of notice of lapse of time or both would constitute an Event of Default under Section 14(a), (g), (h) or (i) hereof) shall have occurred and be continuing, and so long as the action to be taken shall not deprive the Indenture Trustee of the perfected lien of the Trust Indenture on the Airframe or (subject to subclause (B) of the "provided further" clause to subsection (i) of this Section 7(b)) any Engine, and in any event, so long as Lessee shall comply with the provisions of Section 11, Lessee may, without the prior consent of Lessor:

(i) subject the Airframe to normal interchange agreements or any Engine to normal interchange or pooling agreements or arrangements in each case customary in the airline industry and entered into by Lessee in the ordinary course of its business with any other United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority or with any "foreign air carrier" (as such term is defined in such Act) as to which there is in force a permit issued pursuant to Section 402 of said Act (any such United States certificated air carrier and any such foreign air carrier being hereinafter called a "Permitted Air Carrier"); provided that no transfer of the registration of such Airframe shall be effected in connection therewith; and provided, further, that (A) no such agreement or arrangement contemplates or requires the transfer of title to the Airframe and (B) if Lessor's title to any such Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and Lessee shall comply with Section 10(b) in respect thereof;

(ii) deliver possession of the Airframe or any Engine to the manufacturer thereof for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on the Airframe or such Engine or any part thereof or for alterations or modifications in or additions to the Airframe or such Engine to the extent required or permitted by the terms of Section 7(a) or 8(c);

(iii) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to a sublease, contract or other instrument, a copy of which shall be furnished to Lessor; provided that the term of such sublease (including, without limitation, any option of the sublessee to renew or extend) or the term of possession under such contract or other instrument shall not continue beyond the end of the Term or any Renewal Term then in effect;

(iv) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof in accordance with applicable laws, rulings, regulations or orders (including, without limitation, the Civil Reserve Air Fleet Program authorized under 10 U.S.C. Section 9511 et seq. or any substantially similar program), provided that Lessee (x) notifies Lessor of such transfer of possession of the Airframe or any Engine to the United States or any agency or instrumentality thereof and (y) provides to Lessor the name and the address of the responsible Contracting Office Representative for the Military Airlift Command of the United States within 60 days thereof;

(v) install an Engine on an airframe owned by Lessee free and clear of all Liens, except (A) those of the type permitted under clauses (ii), (iii), (iv), (v), (vi) and (vii) of Section 6 and those which apply only to the engines (other than Engines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety) and (B) the rights of other Permitted Air Carriers under normal interchange agreements which are customary in the airline industry and do not contemplate, permit or require the

transfer of title to the airframe or engines installed thereon;

(vi) install an Engine on an airframe leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement; provided that (A) such airframe is free and clear of all Liens except the rights of the parties to the lease or conditional sale or other security agreement covering such airframe and except Liens of the type permitted by clauses (A) and (B) of subparagraph (v) of this paragraph of Section 7(b) and (B) Lessee shall have obtained from the lessor or secured party of such airframe a written agreement (which may be the lease or conditional sale or other security agreement covering such airframe), in form and substance satisfactory to Lessor (it being understood that an agreement from such lessor or secured party substantially in the form of the final sentence of the penultimate paragraph of this Section 7(b) shall be deemed to be satisfactory to Lessor), whereby such lessor or secured party expressly agrees that neither it nor its successors or assigns will acquire or claim any right, title or interest in any Engine by reason of such Engine being installed on such airframe at any time while such Engine is subject to this Lease or to the lien of the Trust Indenture;

(vii) install an Engine on an airframe owned by Lessee, leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement under circumstances where neither subparagraph (v) nor subparagraph (vi) of this Section 7(b) is applicable; provided that such installation shall be deemed an Event of Loss with respect to such Engine and Lessee shall comply with Section 10(b) in respect thereof, Lessor not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by Lessee with such Section 10(b); and

(viii) sublease any Engine or the Airframe and Engines or engines then installed on the Airframe to any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or successor provision that gives like authority; provided that the term of such sublease (including, without limitation, any

option of the sublessee to renew or extend) shall not continue beyond the end of the Term or any Renewal Term then in effect, unless Lessee shall have agreed to purchase the Aircraft or renew this Lease in accordance with the terms hereof at the end of the Term or such Renewal Term, as the case may be, to a date beyond the end of the term of such sublease (assuming that all options to renew or extend such sublease will be exercised); and

(ix) sublease any Engine or the Airframe and Engines or engines then installed on the Airframe to (A) any foreign air carrier that is principally based in and a domiciliary of a country (other than Cuba, El Salvador, Iran, Iraq, Lebanon and Libya) that is at the inception of the sublease a party to the Mortgage Convention, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Exhibit B hereto, or (C) any foreign air carrier not described in clause (A) or (B) above; provided that (w) in the case only of a sublease to a foreign air carrier under clause (C) above, Lessor and the Loan Participants receive at the time of such sublease an opinion of counsel to Lessee (which counsel shall be reasonably satisfactory to Lessor, the Owner Participant and the Loan Participants) to the effect that (a) the terms of the sublease and the Operative Documents are legal, valid, binding and enforceable in the country in which such foreign air carrier is principally based, to substantially the same extent as the Operative Documents are at that time enforceable in the United States, (b) it is not necessary for Lessor or the Owner Participant to qualify to do business in such country solely as a result of the proposed sublease, (c) there is no tort liability of the owner of an aircraft not in possession thereof (or of a lender providing funds for the purchase of an aircraft) under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such owner or lender under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to Lessor, the Owner Participant and the Loan Participants, such opinion shall be waived if insurance reasonably satisfactory to Lessor, the Owner Participant and the Loan Participants is provided by Lessee to cover

the risk of such liability), (d) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless Lessee shall have agreed to provide insurance reasonably satisfactory to Lessor and the Owner Participant covering the risk of requisition of use of the Aircraft by the government of such jurisdiction so long as the Aircraft is subleased in such country), and (e) there exist no possessory rights in favor of such sublessee under the laws of such country which would, upon bankruptcy of or other default by Lessee or the sublessee, prevent the return of such Engine or the Airframe and such Engine or engine to Lessor in accordance with and when permitted by the terms of Sections 14 and 15(a) hereof upon the exercise by Lessor of its remedies under Section 15(a), (x) in the case only of a sublease to a foreign air carrier under clause (C) above, each of Lessor and the Owner Participant receives assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless Lessee shall have agreed to provide the requisition insurance described in subclause (d) of clause (w) above), (y) in the case of any sublease to a foreign air carrier, either the sublease, or an arrangement existing between Lessee, the sublessee and/or one or more third parties that provide maintenance services, provides that the Aircraft will be maintained, serviced, repaired, overhauled and tested in accordance with maintenance standards for Boeing 767-300 series aircraft approved by, or substantially similar to those approved or required by, the Federal Aviation Administration or the central civil aviation authority of any of Brazil, Canada, France, The Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, Switzerland or the United Kingdom and (z) in the case of any sublease to a foreign air carrier (other than a foreign air carrier principally based in Taiwan) the United States of America maintains diplomatic relations with the country in which such foreign air carrier is principally based at the time such sublease is entered into; and provided, further, that the term of any such sublease (including, without limitation, any option of the sublessee to renew or extend) shall not continue beyond the end of the Term or any Renewal Term then in effect, unless Lessee shall have agreed

to purchase the Aircraft or renew this Lease in accordance with the terms hereof at the end of the Term or such Renewal Term, as the case may be, to a date beyond the end of the term of such sublease (assuming that all options to renew or extend such sublease will be exercised);

provided that the rights of any transferee who receives possession by reason of a transfer permitted by this Section 7(b) (other than the transfer of an Engine which is deemed an Event of Loss) shall be subject and subordinate to, and any sublease permitted by this Section 7(b) shall be made expressly subject and subordinate to, all the terms of this Lease and of the Trust Indenture, including, without limitation, Lessor's rights to repossession pursuant to Section 15(a) hereof and to avoid such sublease upon such repossession and the Indenture Trustee's rights to possession pursuant to Section 4.04 of the Trust Indenture, and Lessee shall in all events remain primarily liable hereunder for the performance and observance of all of the terms and conditions of this Lease to the same extent as if such sublease or transfer had not occurred, and any such sublease shall include appropriate provisions for the maintenance (subject to clause (y) of the first proviso to Section 7(b)(ix)) and insurance of the Aircraft. No interchange agreement, pooling agreement, sublease or other relinquishment of possession of the Airframe or any Engine permitted by this Section 7(b) shall in any way discharge or diminish any of Lessee's obligations hereunder or under the other Operative Documents. With the prior written consent of Lessor, which consent shall not be unreasonably withheld, Lessee may sub-sublease the Airframe or Engines in connection with a transaction that involves such a sub-sublease commencing at the inception of the transaction. Lessee may not otherwise sub-sublease the Airframe or Engines. Lessee shall not sublease the Airframe or Engines to any sublessee that is the subject of a bankruptcy, insolvency or other similar proceeding at the inception of such sublease without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessee shall, promptly upon entering into a sublease of the Airframe or Engines, notify Lessor, the Owner Participant and the Indenture Trustee of the identity of the sublessee and the term of such sublease and shall provide a copy of such sublease agreement to any of Lessor, the Owner Participant or the Indenture Trustee upon request therefrom (with economic and financial provisions and information deleted therefrom if Lessee shall

so choose), provided that, except to the extent required by applicable law, such parties shall keep confidential the identity of the sublessee and the existence and terms of such sublease. Lessor hereby agrees, for the benefit of the lessor or secured party of any airframe or engine leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement that Lessor will not acquire or claim, as against such lessor or secured party, any right, title or interest in any engine or engines owned by the lessor under such lease or subject to a security interest in favor of the secured party under such conditional sale or other security agreement as the result of such engine or engines being installed on the Airframe at any time while such engine or engines are subject to such lease or conditional sale or other security agreement.

Lessor acknowledges that any "wet lease" or other similar arrangement under which Lessee maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 7(b).

(c) Insignia. Lessee agrees to affix as promptly as practicable after the Delivery Date and thereafter to maintain in the cockpit of the Airframe adjacent to the airworthiness certificate therein and (if not prevented by applicable law or regulations or by any governmental authority) on each Engine a nameplate bearing the inscription "WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE, LESSOR", and, so long as the Airframe or such Engine shall constitute a part of the Indenture Estate, the inscription "NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE/MORTGAGEE" (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Lessor or successor Indenture Trustee). Except as above provided, Lessee will not allow the name of any Person to be placed on the Airframe or on any Engine as a designation that might be interpreted as a claim of ownership; provided that nothing herein contained shall prohibit Lessee (or any sublessee) from placing its customary colors and insignia on the Airframe or any Engine.

Section 8. Replacement and Pooling of Parts; Alterations, Modifications and Additions. (a) Replacement of Parts. Lessee, at its own cost and expense, will promptly replace all Parts which may from time to time be incorporated or installed in or attached to the Airframe

or any Engine and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use for any reason whatsoever, except as otherwise provided in Section 8(c). In addition, Lessee may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use; provided that Lessee, except as otherwise provided in Section 8(c), will, at its own cost and expense, replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all Liens (except for pooling arrangements to the extent permitted by Section 8(b) and Permitted Liens), and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. Title to all Parts at any time removed from the Airframe or any Engine shall remain vested in Lessor no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the Airframe or any Engine and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Airframe or any Engine as above provided, without further act, (i) title to the replaced Part shall thereupon vest in Lessee, free and clear of all rights of Lessor, and such replaced Part shall no longer be deemed a Part hereunder, (ii) title to such replacement Part shall thereupon vest in Lessor, free and clear of all Liens (except for Permitted Liens) and (iii) such replacement Part shall become subject to this Lease and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Parts originally incorporated or installed in or attached to the Airframe or such Engine.

(b) Pooling of Parts. Any Part removed from the Airframe or an Engine as provided in Section 8(a) may be subjected by Lessee to a normal pooling arrangement customary in the airline industry entered into in the ordinary course of Lessee's business with Permitted Air Carriers; provided that the Part replacing such removed Part shall be incorporated or installed in or attached to the Airframe or such Engine in accordance with Section 8(a) as promptly as practicable after the removal of such removed Part. In addition, any replacement Part

when incorporated or installed in or attached to the Airframe or an Engine in accordance with Section 8(a) may be owned by a Permitted Air Carrier subject to such a normal pooling arrangement; provided that Lessee, at its expense, as promptly thereafter as practicable, either (i) causes title to such replacement Part to vest in Lessor in accordance with Section 8(a) by Lessee acquiring title thereto for the benefit of, and transferring such title to, Lessor, free and clear of all Liens (other than Permitted Liens) or (ii) replaces such replacement Part by incorporating or installing in or attaching to the Airframe or such Engine a further replacement Part owned by Lessee free and clear of all Liens (other than Permitted Liens) and by causing title to such further replacement Part to vest in Lessor in accordance with Section 8(a).

(c) Alterations, Modifications and Additions. Lessee, at its own expense, will make such alterations and modifications in and additions to the Airframe and the Engines as may be required from time to time to meet the standards of the Federal Aviation Administration or other governmental authority having jurisdiction in any country in or over which the Aircraft is flown; provided, however, that Lessee may, in good faith, contest the validity or application of any such standard in any reasonable manner which does not adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture, provided that neither noncompliance with such standard nor such proceedings shall involve any danger of criminal liability to Lessor or the Owner Participant or (unless Lessee shall have provided security reasonably satisfactory to Lessor) any material danger of the sale, forfeiture or loss of the Aircraft. In addition, Lessee, at its own expense, may from time to time make or cause to be made such alterations and modifications in and additions to the Airframe or any Engine as Lessee may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts which Lessee deems to be obsolete or no longer suitable or appropriate for use on the Airframe or such Engine (such Parts being referred to as "Obsolete Parts"); provided that no such alteration, modification, addition or removal shall diminish the value or utility of the Airframe or such Engine, or materially impair the condition or airworthiness thereof, below the value, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or removal assuming the Airframe or such Engine was then of the value and utility and in the condi-

tion and airworthiness required to be maintained by the terms of this Lease, except that the value (but not the utility, condition or airworthiness) of the Aircraft may be reduced by the value of Obsolete Parts which shall have been removed, if the aggregate value of all such Obsolete Parts removed from the Aircraft and not replaced shall not exceed \$500,000. Title to all Parts incorporated or installed in or attached or added to the Airframe or any Engine as the result of such alteration, modification or addition shall, without further act, vest in Lessor. Notwithstanding the foregoing, Lessee may, at any time during the Term, remove any Part; provided that (i) such Part is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to the Airframe or such Engine at the time of delivery thereof hereunder or any Part in replacement of, or substitution for, any such Part, (ii) such Part is not required to be incorporated or installed in or attached or added to such Airframe or Engine pursuant to the first sentence of this Section 8(c), and (iii) such Part can be removed from the Airframe or such Engine without diminishing or impairing the value, utility, condition or airworthiness required to be maintained by the terms of this Lease which the Airframe or such Engine would have had at such time had such removal not occurred. Upon the removal by Lessee of any Part as provided in the immediately preceding sentence or the removal of any Obsolete Part permitted by this Section 8(c), title thereto shall, without further act, vest in Lessee and such Part shall no longer be deemed part of the Airframe or the Engine from which it was removed. Title to any such Part not removed by Lessee prior to the return of the Airframe or any Engine to Lessor hereunder shall remain vested in Lessor.

Section 9. Voluntary Termination. (a) Right of Termination. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option (i) to terminate this Lease at any time on or after the fifth anniversary of the Delivery Date, if in Lessee's good faith determination (evidenced by a certificate of a Responsible Officer of Lessee to such effect) the Aircraft is surplus to Lessee's requirements or economically obsolete to Lessee, and (ii) at any time on or after the eighth anniversary of the Delivery Date to terminate this Lease for any reason whatsoever, in each case by delivering to Lessor a written notice of termination specifying a proposed date of termination (the "Termina-

tion Date") which shall be a Business Day occurring not earlier than 90 days after the date of such notice, and, if the Termination Date is a Special Termination Date, whether or not Lessee is thereby electing to purchase the Aircraft on such Special Termination Date as provided in Section 9(e). The termination of this Lease shall, subject to the terms and conditions of this Section 9, be effective on (i) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to sell the Aircraft, as provided below, the date of sale of the Aircraft, if any, referred to in Section 9(b), (ii) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft as provided in Section 9(d), the date of termination referred to in Section 9(d), or (iii) if Lessee has elected to purchase the Aircraft as provided in Section 9(e), the date of purchase referred to in Section 9(e). Where Lessee has not elected to purchase the Aircraft as provided in Section 9(e), Lessor shall give Lessee irrevocable notice of its election to sell or retain the Aircraft no later than 30 days prior to the Termination Date. In the event Lessor shall fail to give notice pursuant to the immediately preceding sentence, notice of its election to sell the Aircraft shall be deemed to have been given as of such thirtieth day prior to the Termination Date. Unless Lessor shall have given to Lessee a timely notice of its election to retain the Aircraft as provided in Section 9(d), Lessee may withdraw the termination notice referred to above at any time on or prior to the date three Business Days prior to the Termination Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, on or after the third Business Day prior to the Termination Date, a notice of termination given pursuant to this Section 9(a) or such notice is deemed withdrawn pursuant to the final sentence of Section 9(b), Lessee will reimburse Lessor and the Owner Participant for any reasonable out-of-pocket expenses incurred by it in connection with the proposed sale, except Lessee shall not be obligated to reimburse Lessor and the Owner Participant for any out-of-pocket expenses to the extent Lessor shall have failed to comply with its obligations under this Section 9. Lessee shall not be entitled to exercise its right of termination provided for in this Section 9(a) more than four times during the Term (not including for purposes of this sentence any exercise by Lessee of such right of termination immediately following a failure of

this Lease to be terminated by reason of Lessor's failure to comply with its obligations under this Section 9).

(b) Sale of Aircraft. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected or is deemed to have elected to sell the Aircraft pursuant to Section 9(a), Lessee will have the option of acting as non-exclusive agent for Lessor to obtain bids for the cash purchase on or prior to the Termination Date of the Aircraft. Lessor agrees to pay Lessee a commercially reasonable brokerage fee based on the then current industry practice in the event that Lessee locates the Person who purchases the Aircraft pursuant to this Section 9(b). If Lessee acts as such agent, no later than ten Business Days prior to the Termination Date, Lessee shall certify to Lessor in writing the amount and terms of each cash bid received by Lessee and the name and the address of the Person submitting each such bid. Lessor may (but need not) also, at its expense (which expense, including without limitation any broker's or finder's fees, shall be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Termination Date, certify to Lessee in writing the amount and terms of such bid and the name and address of the Person submitting such bid. Neither the Owner Participant, Lessee, nor any Affiliate of either may submit a bid for the Aircraft, directly or indirectly, in connection with such proposed sale. On the Termination Date (or such other date of sale as may be agreed to by Lessor and Lessee, which shall thereafter be deemed the Termination Date), (x) Lessee shall, subject to receipt (i) by Lessor (or, so long as the Trust Indenture shall not have been discharged, the Indenture Trustee) of the full purchase price thereof and all amounts owing to Lessor pursuant to the next sentence, and (ii) by the Persons entitled thereto of all unpaid Supplemental Rent due on or before the Termination Date, deliver the Aircraft at a location selected by Lessee to the Person who shall have submitted the highest cash bid net of any broker's or finder's fees (or such other purchaser acceptable to Lessor and Lessee), in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) Lessor shall simultaneously therewith

sell, without recourse or warranty (except as to Lessor's Liens), for cash all of Lessor's right, title and interest in and to the Aircraft to such highest net cash bidder (or other purchaser). The total selling price realized at such sale shall be retained by Lessor (or, so long as the Trust Indenture shall not have been discharged, distributed by the Indenture Trustee pursuant to the terms of the Trust Indenture) and, in addition, on the Termination Date, Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), an amount equal to (I) the sum of (1) the excess, if any, of (A) the Termination Value for the Aircraft as of the Termination Date, over (B) the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person), plus (2) all Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates) due and owing on the Termination Date, plus (3) (A) if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), or (B) if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, plus (4) all Basic Rent due and payable prior to the Termination Date and unpaid, less (II) any credit to which Lessee may be entitled as hereinafter in this Section 9(b) provided. Subject always to the provisions of the penultimate paragraph of Section 3(b), if the Termination Date with respect to which Termination Value is determined is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall be entitled to a credit against the amounts payable by it pursuant to this Section 9(b) in an amount equal to the lesser of (x) the Unearned Advance Basic Rent as of the Termination Date, and (y) the amount, if any, by which the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses

incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person) exceeds the Termination Value for the Aircraft as of the Termination Date; provided that, in the event that the amount calculated pursuant to this sentence to be credited exceeds the amounts payable by Lessee pursuant to this Section 9(b), the Owner Participant shall be obligated to rebate an amount equal to such excess to Lessee. If on or prior to the scheduled Termination Date no sale of the Aircraft shall have occurred and if Lessor shall not have elected to retain the Aircraft in accordance with Section 9(d) or Lessee shall not have elected to purchase the Aircraft in accordance with Section 9(e), Lessee's notice given pursuant to Section 9(a) shall be deemed to be withdrawn as of such scheduled Termination Date and this Lease shall continue in full force and effect.

(c) Certain Obligations upon Sale of Aircraft. Upon the sale of the Aircraft pursuant to and in accordance with the provisions of Section 9(b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of the Aircraft under Section 9(b), other than to transfer to the purchaser of the Aircraft (or to such purchaser and to Lessee, as the case may be), without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft against receipt of the payments provided for herein, and to pay the amounts, if any, required to be paid by Lessor under Section 9(b) or this Section 9(c), and to request the Indenture Trustee upon the sale of the Aircraft pursuant to Section 9(b) to execute and deliver to such purchaser (or to such purchaser and to Lessee, as the case may be) an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. Lessor agrees to notify promptly Lessee of the appointment by Lessor of any broker or finder (other than Lessee) in connection with the sale of the Aircraft pursuant to Section 9(b) and, subject to Section 9(b), to pay the fees or commissions of any such broker or finder employed by

Lessor in connection with the sale of the Aircraft pursuant to Section 9(b).

(d) Retention of Aircraft by Lessor. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft pursuant to Section 9(a), on the Termination Date specified in Lessee's termination notice, Lessor shall pay, or cause to be paid, to the Indenture Trustee funds of the type and in an amount equal to (1) the aggregate outstanding principal amount of the Certificates and all accrued interest thereon, plus (2) all other sums due and payable on such Termination Date under the Trust Indenture, the Participation Agreement or such Certificates. Subject to receipt by the Indenture Trustee of such funds, on the Termination Date, (i) Lessee (x) shall deliver the Aircraft to Lessor in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) all Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates), other than Termination Value, and, if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, and all Basic Rent due and payable prior to the Termination Date and unpaid, less (B) any credit to which Lessee may be entitled as hereinafter in this Section 9(d) provided, and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft, and (y) Lessor shall request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Aircraft from the lien of the

Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. If the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, subject always to the provisions of the penultimate paragraph of Section 3(b), be entitled to a credit against the amounts payable by it pursuant to this Section 9(d) in an amount equal to the Unearned Advance Basic Rent as of the Termination Date; provided that in the event that the Unearned Advance Basic Rent exceeds the amount payable by Lessee pursuant to this Section 9(d), the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee. If Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) and as a result thereof this Lease shall not be terminated on a proposed Termination Date, Lessor shall thereafter no longer be entitled to exercise its election to retain the Aircraft and Lessee may at its option at any time thereafter submit a new termination notice pursuant to Section 9(a).

(e) Purchase of Aircraft by Lessee. In the event that Lessee shall have elected to purchase the Aircraft on a Special Termination Date pursuant to Section (a), on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greater of (I) the Termination Value for the Aircraft, computed as of the Special Termination Date, and (II) the then fair market sales value of the Aircraft, as determined by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal. On such Special Termination Date, (x) Lessee (i) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all unpaid Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates), other than Termination Value, due and owing on such Special Termination Date, all Basic Rent due and payable prior to the Special Termination Date and unpaid and the Basic Rent installment due and payable on the Special Termination Date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule

as being payable in advance) and (ii) at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), the Special Termination Price, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates (including, without limitation, any scheduled payment of principal of, Break Amount, if any, on, or accrued interest on, the Certificates due and payable on the Special Termination Date but, provided that the principal of the Certificates shall not have been accelerated pursuant to Section 4.04 of the Trust Indenture, only to the extent that the Basic Rent installment payable by Lessee pursuant to clause (i) above does not cover such scheduled payment of principal of or accrued interest on the Certificates but excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Termination Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee) in accordance with Section 2.16 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Termination Price over an amount equal to the sum of the principal of, and any accrued and unpaid interest on, the outstanding Certificates on such Special Termination Date, after taking into account any payments of principal or interest made in respect of the outstanding Certificates on such Special Termination Date, and (y) Lessor will sell to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates as provided for above, Lessor will request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(f) Termination of Lease, Etc. Upon the sale or retention or purchase of the Aircraft, as the case may be, in compliance with the provisions of this Section 9, (i) the obligation of Lessee to pay Basic Rent under Sec-

tion 3(b) on any Lease Period Date occurring subsequent to the applicable Termination Value Determination Date, and (ii) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 10 of the Tax Indemnity Agreement, (y) pursuant to clause (ii) of the second sentence of Section 3(c) of this Lease, or (z) in respect of liabilities and obligations of Lessee which have accrued under any Operative Document but not been paid or which are in dispute as of the date of such sale or retention) shall cease as of the Termination Date and, in each case, the Term shall end effective as of the Termination Date.

(g) Termination as to Engines. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option at any time, on at least 60 days' prior written notice to Lessor and the Indenture Trustee, to terminate this Lease with respect to any Engine. In such event, and prior to the date of such termination, Lessee shall replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine.

Section 10. Loss, Destruction, Requisition, Etc. (a) Event of Loss with Respect to the Airframe. Upon the occurrence of an Event of Loss with respect to the Airframe, Lessee shall forthwith (and, in any event, within 30 days after such occurrence) give Lessor and the Indenture Trustee notice of such Event of Loss and of its election to perform one of the following options (it being agreed that, if Lessee shall not have given notice of such election within such 30 days after such occurrence, Lessee shall be deemed to have elected to perform the option set forth in the following clause (ii)):

(i) as promptly as practicable, and in any event on or before the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss, in replacement for the Airframe, Lessee shall convey or cause to be conveyed to Lessor title to a Replacement Airframe (together with the same number of Replacement Engines as the Engines, if any, installed on the Airframe at the time such Event of Loss occurred) to be leased to Lessee hereunder, such Replacement Airframe and Re-

placement Engines to be free and clear of all Liens (other than Permitted Liens), to have a value and utility at least equal to, and to be in as good operating condition as, the Airframe and Engines, if any, so replaced (assuming such Airframe and Engines were in the condition and repair required by the terms of this Lease); provided that, if Lessee shall not perform its obligation to effect such replacement under this clause (i) during the period of time provided herein, then Lessee shall pay on the fifteenth day next following the end of such period to Lessor, or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d) hereof, the amounts specified in clause (ii) below; or

(ii) on or before the earlier of 30 days following the date on which insurance proceeds are received with respect to such Event of Loss and the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss or on the date specified in the proviso to clause (i) above, if such proviso is applicable (the "Loss Payment Date"), Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) the Stipulated Loss Value for the Aircraft, determined as of the Loss Payment Date, plus (B) all Supplemental Rent (including, without limitation, the Break Amount, if any, on the Certificates) due and owing by Lessee to Lessor, the Owner Participant, the Indenture Trustee and the Loan Participants, hereunder or under any of the Operative Documents on such Loss Payment Date, plus (C) if the Casualty Loss Determination Date with respect to the Stipulated Loss Value is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), plus (D) all Basic Rent due and payable prior to the Casualty Loss Determination Date and unpaid.

In the event of payment in full of the Stipulated Loss Value for the Aircraft and all amounts payable pursuant to this Section 10, (1) the obligation of Lessee to pay any Basic Rent under Section 3(b) on any Lease

Period Date occurring subsequent to the Casualty Loss Determination Date with respect to which Stipulated Loss Value is determined shall terminate, (2) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 10 of the Tax Indemnity Agreement or Section 7(d) of the Participation Agreement, or (y) in respect of liabilities and obligations of Lessee which have accrued under any of the Operative Documents but not been paid or which are in dispute as of the date of such payment) shall terminate, (3) the Term for the Aircraft shall end, (4) Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to the Airframe and Engines (if any) with respect to which such Event of Loss occurred, as well as all Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but not installed thereon when such Event of Loss occurred, and (5) Lessor will assign to or as directed by Lessee all claims of Lessor against third Persons relating to such Airframe and Engines arising from such Event of Loss. Upon such transfer, Lessor shall request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereof thereunder.

At the time of or prior to any replacement of the Airframe and such Engines, if any, Lessee, at its own expense, will (A) furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Permitted Liens) with respect to the Replacement Airframe and Replacement Engines, if any, together with an assignment of any and all manufacturer's warranties applicable thereto (to the extent such warranties may be so assigned by Lessee) in a form substantially similar to the Form of Purchase Agreement Assignment attached as Exhibit III to the Participation Agreement, (B) cause a Lease Supplement substantially in the form of Exhibit A hereto, subjecting such Replacement Airframe and Replacement Engines, if any, to this Lease, and duly executed by Lessee, to be delivered to Lessor for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America

in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (C) so long as the Trust Indenture shall not have been satisfied and discharged, cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit A to the Trust Indenture and other requisite documents or instruments for such Replacement Airframe and Replacement Engines, if any, to be delivered to Lessor and to the Indenture Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (D) so long as the Trust Indenture shall not have been satisfied and discharged, cause a financing statement or statements with respect to the Replacement Airframe and Replacement Engines, if any, and other requisite documents or instruments to be filed in such place or places as necessary in order to perfect the security interest therein created by or pursuant to the Trust Indenture, or, if necessary, pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (E) furnish Lessor and the Indenture Trustee with an opinion of Lessee's counsel addressed to each (which may be Lessee's General Counsel), to the effect that the bill of sale referred to in clause (A) above constitutes an effective instrument for the conveyance of title to the Replacement Airframe and Replacement Engines, if any, to Lessor and to the further effect that upon such conveyance such substituted property will be leased hereunder and subjected to the lien of the Trust Indenture, (F) furnish Lessor with a certificate of an independent aircraft engineer or appraiser certifying that the Replacement Airframe and Replacement Engines, if any, have a value and utility at least equal to, and are in as good operating condition as, the Airframe and Engines, if any, so replaced assuming such Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (G) furnish Lessor and the Indenture Trustee with (i) such evidence of compliance with the insurance provisions of Section 11 with respect to such Replacement Airframe and Replacement Engines as Lessor may reasonably request and (ii) a certificate from a Responsible Officer of Lessee certifying that at the time of such replacement

there is no continuing Event of Default, and (H) furnish Lessor and the Indenture Trustee with a reasoned opinion of Lessee's counsel (which may be Lessee's General Counsel) addressed to each, to the effect that the Owner Trustee, as Lessor under the Lease, and the Indenture Trustee, as assignee of the Owner Trustee's rights under the Lease pursuant to the Indenture, should be entitled to the benefits of Title 11 U.S.C. Section 1110 with respect to the Replacement Airframe, provided that (i) such opinion need not be delivered to the extent that, by reason of a change in law or in judicial or other governmental interpretation thereof after the Delivery Date, the benefits of such Section 1110 were not available to the Owner Trustee or the Indenture Trustee with respect to the Aircraft immediately prior to such substitution and (ii) such opinion may contain qualifications and assumptions of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 4(J) of the Participation Agreement on the Delivery Date and (I) so long as the Original Loan Participant is the holder of any Certificate, take such other actions as the Original Loan Participant shall reasonably request in order that title to such Replacement Airframe and Replacement Engines, if any, is duly and properly vested in Lessor, leased hereunder and subjected to the lien of the Trust Indenture to the same extent as the Airframe, Engine or Engines replaced thereby. In the case of each Replacement Airframe and each Replacement Engine, if any, conveyed to Lessor under this Section 10, and each Replacement Engine conveyed to Lessor under this Section 10, promptly upon the registration of the Replacement Aircraft and the recordation of the Lease Supplement and the Trust Agreement and Indenture Supplement or other requisite documents or instruments covering such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine pursuant to the Federal Aviation Act (or pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine, are to be registered in accordance with Section 7(a)), Lessee will cause to be delivered to Lessor and the Indenture Trustee an opinion of counsel to Lessee addressed to each and to the Certificate Holders as to the due registration of such Replacement Aircraft, the due recordation of such Lease Supplement and such Trust Agreement and Indenture Supplement or other requisite documents or instruments and the validity and perfection of the security interest in the Replacement Aircraft, Replacement Engines or Replacement Engine, as the case may

be, granted to the Indenture Trustee under the Trust Indenture.

For all purposes hereof, upon passage of title thereto to Lessor the Replacement Airframe and Replacement Engines, if any, shall be deemed part of the property leased hereunder, the Replacement Airframe shall be deemed an "Airframe" as defined herein, and each such Replacement Engine shall be deemed an "Engine" as defined herein. No such replacement of the Airframe or any Engines under the circumstances contemplated by the terms of this Section 10(a) shall result in any reduction of Basic Rent. Upon such passage of title, Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to the replaced Airframe and Engines (if any) installed thereon at the time such Event of Loss occurred, and upon such transfer, Lessor will request in writing that the Indenture Trustee execute and deliver to Lessee an appropriate instrument releasing such replaced Airframe and Engines (if any) installed thereon at the time such Event of Loss occurred from the lien of the Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Indenture.

(b) Event of Loss with Respect to an Engine. Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which there has not occurred an Event of Loss with respect to the Airframe, Lessee shall give Lessor prompt written notice thereof and shall, within 90 days after the occurrence of such Event of Loss, convey or cause to be conveyed to Lessor, as replacement for the Engine with respect to which such Event of Loss occurred, title to a Replacement Engine free and clear of all Liens (other than Permitted Liens) and having a value and utility at least equal to, and being in as good operating condition as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, Lessee, at its own expense, will (i) furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Permitted Liens) with respect to such Replacement Engine, (ii) cause a Lease Supplement substantially in the form of Exhibit A hereto, subjecting

such Replacement Engine to this Lease, and duly executed by Lessee, to be delivered to Lessor for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act, or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is registered, (iii) so long as the Trust Indenture shall not have been satisfied and discharged, comply with the applicable provisions thereof and cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit A to the Trust Indenture or other requisite documents or instruments for such Replacement Engine to be delivered to Lessor and to the Indenture Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (iv) furnish Lessor and the Indenture Trustee with an opinion of Lessee's counsel addressed to each (which may be Lessee's General Counsel) to the effect that the bill of sale referred to in clause (i) above constitutes an effective instrument for the conveyance of title to such Replacement Engine to Lessor and to the further effect that upon such conveyance such substituted property will be leased hereunder and subjected to the lien of the Trust Indenture, (v) furnish Lessor with a certificate of an aircraft engineer or appraiser (who may be an employee of Lessee) certifying that such Replacement Engine has a value and utility at least equal to, and is in as good operating condition as, the Engine so replaced assuming such Engine was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (vi) so long as the Trust Indenture shall not have been satisfied and discharged, cause a financing statement or statements with respect to the Replacement Engine or other requisite documents or instruments to be filed in such place or places as necessary in order to perfect the security interest therein created by or pursuant to the Trust Indenture, or, if necessary, pursuant to the applicable laws of the jurisdiction in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, and (vii) furnish Lessor and the Indenture Trustee with such evidence of compliance with the insurance provisions of Section 11 with respect to such Replacement Engine as Lessor may reasonably request and (viii) so long as the Original Loan Participant is the holder of any Certificate, take such

other actions as the Original Loan Participant shall reasonably request in order that title to such Replacement Engine is duly and property vested in the Lessor, leased hereunder and subjected to the lien of the Indenture to the same extent as the Engine replaced thereby. Upon full compliance by Lessee with the terms of this paragraph (b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Engine with respect to which such Event of Loss occurred, and Lessor will assign to or as directed by Lessee all claims of Lessor against third Persons relating to such Engine arising from such Event of Loss. In addition, upon such transfer Lessor shall request in writing that the Indenture Trustee execute and deliver to Lessee an appropriate instrument releasing such Engine from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment (in respect solely of such Engine) from the assignment and pledge under the Trust Indenture. For all purposes hereof, each such Replacement Engine shall, after such conveyance, be deemed part of the property leased hereunder and shall be deemed an "Engine" as defined herein. No Event of Loss with respect to an Engine under the circumstances contemplated by the terms of this Section 10(b) shall result in any reduction in Basic Rent.

(c) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds the application of which is provided for in Section 11) received at any time by Lessor or by Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Airframe or any Engine, other than a requisition for use by any Government or by the government of the country of registry of the Aircraft not constituting an Event of Loss, will be applied as follows:

(i) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has been or is being replaced by Lessee pursuant to Section 10(a), such payments shall be paid over to, or retained by, Lessor and upon completion of such replacement be paid over to, or retained by, Lessee;

(ii) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has not been and will not be replaced pursuant to Section 10(a), such payments shall, after reimbursement of Lessor for costs and expenses, be applied in reduction of Lessee's obligation to pay the Stipulated Loss Value required to be paid by Lessee pursuant to Section 10(a), if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss Value, and the balance, if any, of such payments remaining thereafter shall be paid over to, and retained by, Lessee and Lessor, as their interests may appear; and

(iii) if such payments are received with respect to an Engine under circumstances contemplated by Section 10(b), so much of such payments remaining after reimbursement of Lessor for costs and expenses shall be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(b) with respect to the Event of Loss for which such payments are made.

(d) Requisition for Use by the Government of the Airframe and the Engines Installed Thereon. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof), including, without limitation, pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv), of the Airframe and the Engines or engines installed on the Airframe during the Term, Lessee shall promptly notify Lessor of such requisition and all of Lessee's obligations under this Lease with respect to the Aircraft shall continue to the same extent as if such requisition had not occurred. All payments received by Lessor or Lessee from such Government or government for the use of the Airframe and Engines or engines during the Term for the Aircraft shall be paid over to, or retained by, Lessee. In the case of any requisition for use by the government of the United States (or any agency or instrumentality thereof whose obligations bear the full faith and credit of such government) of the Airframe and Engines or engines installed on the Airframe that would extend beyond the end of the Term, Lessee at its option may, by written notice to Lessor given not more than 30 nor less than 10 days before the end of the Term, elect to

declare an Event of Loss with respect to the Airframe and Engines or engines. Subject to the final paragraph of this Section 10(d), such Event of Loss will be deemed to have occurred on the final day of the Term. If Lessee does not so elect to declare an Event of Loss and (1) such requisition fully terminates and (2) the Airframe and Engines or engines are returned to Lessee before the first anniversary of the end of the Term, Lessee shall be obligated to return the Airframe and the Engines or engines to Lessor pursuant to, and in all other respects to comply with the provisions of, Section 5 as soon as practicable after the Airframe and Engines or engines are returned to Lessee unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Sections 9(e), 20(b) or 20(c). In addition, Lessee shall pay to Lessor at monthly intervals (until the earlier of (i) the return of the Aircraft to Lessor pursuant to Section 5 and (ii) the first anniversary of the end of the Term), an amount equal to the difference, if any, between (A) the daily equivalent of the lesser of (x) 50% of the average annual Basic Rent for the Aircraft payable during the Term (excluding for this purpose the Interim Period) and (y) the fair market rental value of the Aircraft for such period, and (B) the amounts received by Lessor from such government for the use of the Aircraft for such period. All payments received by Lessor or Lessee from such government for the use of such Airframe and Engines or engines during the first year after the end of the Term for the Aircraft shall be paid over to, or retained by, Lessor unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Section 9(e), 20(b) or 20(c), in which event all such payments received after such purchase shall be paid over to, or retained by, Lessee.

If an Event of Loss to the Aircraft shall have occurred as a result of a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit of such government) that shall have extended more than one year beyond the end of the Term, or if Lessee shall have elected in accordance with the third sentence of this Section 10(d) to declare an Event of Loss as a result of any such requisition that would extend beyond the end of the Term, or if an Event of Loss to the Aircraft shall have occurred as a result of a requisition for use by any other Government or government that shall have extended beyond the end of the Term, Lessor (at the direction of the Owner Participant) at its

option may, by written notice to Lessee given not more than 20 days after receiving notice of any such Event of Loss or election, waive the occurrence of such Event of Loss. In the event that Lessor waives the occurrence of an Event of Loss, Lessee shall, no later than the later of (i) the date on which such Event of Default would have occurred and (ii) the tenth day after Lessee shall have received such notice from Lessor, transfer to Lessor all of Lessee's right, title and interest to the Airframe and any Engine subject to such requisition under the agreement or agreements relating to such requisition. Upon such transfer, (1) the obligation of Lessee to pay Basic Rent shall terminate, (2) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 10 of the Tax Indemnity Agreement or Section 7(d) of the Participation Agreement, (y) pursuant to clause (ii) of the second sentence of Section 3(c) hereof, or (z) in respect of liabilities and obligations of Lessee which have accrued under any of the Operative Documents but not been paid or which are in dispute as of the date of such transfer) shall terminate, (3) all other obligations of Lessee under the Lease, including, without limitation, any obligation to return the Aircraft in accordance with Section 5 thereof shall terminate and (4) the Term for the Aircraft shall end. In addition, in the event that any Engine shall not be subject to such requisition for use at the time of such transfer, Lessee shall return such Engine to Lessor in accordance with Section 5 hereof.

(e) Requisition for Use by the Government of an Engine. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof) of any Engine (but not the Airframe), Lessee will replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received by Lessor or Lessee from such Government or government with respect to such requisition shall be paid over to, or retained by, Lessee.

(f) Application of Payments During Existence of Event of Default. Any amount referred to in clause (i), (ii) or (iii) of Section 10(c), Section 10(d) or Section 10(e) which is payable to Lessee shall not be paid to Lessee, or if it has been previously paid directly to

Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred and be continuing, but shall be paid to and held by the Lessor as security for the obligations of Lessee under this Lease and, subject to the Trust Indenture, applied against Lessee's payment obligations hereunder when and as they become due and payable, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee to the extent not applied in accordance with this sentence, provided that if any such amount has been so held by Lessor as security for more than 90 days during which period (i) Lessor shall not have been limited by operation of law or otherwise from exercising remedies hereunder or (ii) Lessor shall not have commenced to exercise any remedy available to it under Section 15, then such amount shall be paid to Lessee to the extent not applied as provided above.

Section 11. Insurance. (a) Airline Liability Insurance.

Subject to the rights of Lessee to establish and maintain self-insurance with respect to bodily injury and property damage liability insurance for aircraft and engines (including the Aircraft and Engines) in the manner and to the extent specified in the next sentence, Lessee will carry, or cause to be carried, at no expense to Lessor, the Indenture Trustee, any Loan Participant or the Owner Participant, airline liability insurance (including coverage for bodily injury, contractual liability, passenger legal liability and property damage liability (exclusive of manufacturer's product liability insurance)) with respect to the Aircraft (i) in amounts which are not less than the airline liability insurance applicable to similar aircraft and engines which comprise Lessee's fleet on which Lessee carries insurance, provided that such liability insurance shall not be less than the amount certified to Lessor on the Delivery Date, (ii) of the type usually carried by corporations engaged in the same or similar business, similarly situated with Lessee, and owning or operating similar aircraft and engines and covering risks of the kind customarily insured against by Lessee (including, without limitation, war risk and allied perils insurance), and (iii) which is maintained in effect with insurers of recognized responsibility. Lessee may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be

insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(b)) with respect to all of the aircraft and engines in Lessee's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (x) 50% of the largest replacement value of any single aircraft in Lessee's fleet or (y) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which Lessee carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of Lessee from such condition as is reflected in the consolidated financial statements of Lessee at December 31, 1982, then, upon not less than 30 days' written notice from Lessor to Lessee, Lessee will, until Lessee's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as Lessor may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies of insurance carried in accordance with this Section 11(a) and any policies taken out in substitution or replacement for any of such policies (A) shall name Lessor, as lessor of the Aircraft and in its individual capacity, the Indenture Trustee and each Participant as additional insureds as their respective Interests may appear (and, so long as the Owner Participant is a direct or indirect subsidiary of American Telephone and Telegraph Company, shall name AT&T Capital Corporation and American Telephone and Telegraph Company, and all Affiliates of each, as additional insureds), (B) shall provide that in respect of the respective Interests of Lessor, of the Indenture Trustee and of each Participant in such policies the insurance shall not be invalidated by any action or inaction of Lessee and shall insure Lessor's, the Indenture Trustee's and such Participant's (and, if applicable, the Owner Participant's Affiliates') Interests as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any substantial change is made in the policy which affects the coverage certified hereunder to Lessor, the Indenture Trustee or any Participant (or, if applic-

able, Affiliates of the Owner Participant), or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Lessor, the Indenture Trustee or such Participant (or, if applicable, any Affiliate of the Owner Participant) for 30 days (seven days, or such other period as is customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by Lessor, by the Indenture Trustee or by such Participant, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall provide that neither Lessor, the Indenture Trustee nor any Participant (or any Affiliate of the Owner Participant) shall have any obligation or liability for premiums, commissions, assessments or calls in connection with such insurance, (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) and (ii) any rights of subrogation against Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) to the extent that Lessee has waived its rights by its agreements to indemnify any such party pursuant to this Lease or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from the rights retained by Lessee shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by Lessee, (F) shall be primary without right of contribution from any other insurance which may be carried by Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) with respect to its Interests as such in the Aircraft and (G) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. "Interests" as used in this Section 11(a) and Section 11(b) with respect to any Person means the interests of such Person in its capacity as Lessor, Owner Trustee (including in its individual capacity under the Participation Agreement), Indenture Trustee or Participant (or, if applicable, as Affiliates of the Owner Participant), as the case may be, in the leasing transaction contemplated by this Lease, the Participation Agreement and the Indenture. Lessee shall arrange for appropriate certification that the requirements of this Section 11(a) have been met

to be made to Lessor, the Indenture Trustee and the Owner Participant (and the Indenture Trustee may furnish such certificates to each Loan Participant) as soon as practicable by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(a) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a sublease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to Lessor and the Owner Participant, to indemnify Lessee against any of the risks which Lessee is required hereunder to insure against by such Government shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

(b) Insurance Against Loss or Damage to Aircraft. Subject to the rights of Lessee to establish and maintain self-insurance with respect to loss or damage to aircraft (including the Aircraft) in the manner and to the extent specified in the next sentence, Lessee shall maintain, or cause to be maintained, in effect with insurers of recognized responsibility, at no expense to Lessor, the Indenture Trustee or any Participant, all-risk aircraft

hull insurance covering the Aircraft and all-risk coverage with respect to any Engines or Parts while removed from the Aircraft (including, without limitation, war risk and allied perils insurance if and to the extent the same is maintained by Lessee or other United States air carriers as to which there are in force certificates issued pursuant to Section 401 of the Federal Aviation Act (or any successor provision that gives like authority) and which are engaged in the same or similar business and are similarly situated with Lessee with respect to similar aircraft owned or operated by Lessee or by such United States air carriers, as the case may be, on the same routes) which is of the type and in substantially the amount usually carried by corporations engaged in the same or similar business and similarly situated with Lessee; provided that (i) such insurance (including the permitted self-insurance) shall at all times while the Aircraft is subject to this Lease be for an amount not less than the Stipulated Loss Value for the Aircraft from time to time and (ii) such insurance need not cover an Engine while attached to an airframe not owned, leased or operated by Lessee. Lessee may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(a)) with respect to all of the aircraft and engines in Lessee's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (i) 50% of the largest replacement value of any single aircraft in Lessee's fleet or (ii) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which Lessee carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of Lessee from such condition as is reflected in the consolidated financial statements of Lessee at December 31, 1982, then, upon not less than 30 days' written notice from Lessor to Lessee, Lessee will, until Lessee's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as Lessor may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any

policies carried in accordance with this Section 11(b) and any policies taken out in substitution or replacement for any such policies (A) shall provide that any loss up to the amount of Stipulated Loss Value for any loss or damage constituting an Event of Loss with respect to the Aircraft, and any loss in excess of \$7,000,000, up to the amount of Stipulated Loss Value, for any loss or damage to the Aircraft (or Engines) not constituting an Event of Loss with respect to the Aircraft, shall be paid to the Indenture Trustee as long as the Trust Indenture shall not have been discharged pursuant to the terms and conditions thereof, and thereafter to Lessor, unless, in each case, the insurer shall have received notice that an Event of Default exists, in which case all insurance proceeds up to Stipulated Loss Value shall be payable to the Indenture Trustee or Lessor, as the case may be, (B) shall provide that in respect of the respective Interests of Lessor, of the Indenture Trustee and of each Participant in such policies the insurance shall not be invalidated by any action or inaction of Lessee and shall insure Lessor's, the Indenture Trustee's and such Participant's Interests, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any material change is made in the policy which affects the coverage certified hereunder to Lessor, the Indenture Trustee or any Participant, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Lessor, the Indenture Trustee or such Participant for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by Lessor, the Indenture Trustee or such Participant, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall be primary without right of contribution from any other insurance which may be carried by Lessor, the Indenture Trustee or any Participant with respect to its Interests as such in the Aircraft and (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against Lessor, the Indenture Trustee or any Participant and (ii) any rights of subrogation against Lessor, the Indenture Trustee and any Participant to the extent that Lessee has waived its rights by its agreements to indemnify any such party pursuant to this Lease or the Partici-

pation Agreement; provided that the exercise by such insurers of rights of subrogation derived from rights retained by Lessee shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by Lessee. Lessee shall arrange for appropriate certification that the requirements of this Section 11(b) have been met to be made promptly to Lessor, the Indenture Trustee and the Owner Participant (and the Indenture Trustee shall furnish such certification to each Loan Participant) by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(b) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a sublease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to Lessor and the Owner Participant, to indemnify Lessee against any of the risks which Lessee is required hereunder to insure against by such Government in any amount up to the Stipulated Loss Value of the Aircraft from time to time shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

As between Lessor and Lessee it is agreed that all insurance payments received under policies required to be maintained by Lessee hereunder, exclusive of any payments received in excess of the Stipulated Loss Value for the Aircraft from such policies, as the result of the occurrence of an Event of Loss with respect to the Airframe or an Engine will be applied as follows:

(x) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed on the Airframe that has been or is being replaced by Lessee as contemplated by Section 10(a), such payments shall be paid over to, or retained by, Lessor, and upon completion of such replacement be paid over to, or retained by, Lessee;

(y) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed thereon that has not been and will not be replaced as contemplated by Section 10(a), so much of such payments remaining after reimbursement of Lessor for costs and expenses as shall not exceed the Stipulated Loss Value required to be paid by Lessee pursuant to Section 10(a) shall be applied in reduction of Lessee's obligation to pay such Stipulated Loss Value, if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss Value, and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, Lessee; and

(z) if such payments are received with respect to an Engine under the circumstances contemplated by Section 10(b), so much of such payments remaining after reimbursement of Lessor for costs and expenses shall be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(b) with respect to the Event of Loss for which such payments are made.

As between Lessor and Lessee the insurance payment for any loss or damage to the Aircraft in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee.

As between Lessor and Lessee the insurance payments for any loss or damage to the Airframe or an Engine

not constituting an Event of Loss with respect to the Airframe or such Engine will be applied in payment (or to reimburse Lessee) for repairs or for replacement property in accordance with the terms of Sections 7 and 8, and any balance remaining after compliance with such Sections with respect to such loss shall be paid to Lessee. Any amount referred to in the preceding sentence or in clause (x), (y) or (z) of the second preceding paragraph which is payable to Lessee shall not be paid to Lessee or, if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred and be continuing, but shall be paid to and held by the Indenture Trustee, or if the Trust Indenture shall have been terminated pursuant to the terms thereof, Lessor, as security for the obligations of Lessee under this Lease, and may be applied against Lessee's payment obligations hereunder when and as they become due and payable, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, to the extent not applied in accordance with this sentence, provided that if any such amount has been so held by Lessor as security for more than 90 days during which period (i) Lessor shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (ii) Lessor shall not have exercised any remedy available to it under Section 15, then such amount shall be paid to Lessee.

(c) Reports, Etc. On or before the Delivery Date, and annually upon renewal of Lessee's insurance coverage, Lessee will furnish to Lessor, the Indenture Trustee and the Owner Participant (and the Indenture Trustee shall furnish to each Loan Participant) a report signed by a firm of independent aircraft insurance brokers appointed by Lessee, stating the opinion of such firm that the insurance then carried and maintained on the Aircraft complies with the terms hereof; provided that all information contained in such report shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such

other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(c) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. Lessee will cause such firm to advise Lessor, the Indenture Trustee and the Owner Participant, in writing promptly of any default in the payment of any premium and of any other act or omission on the part of Lessee of which such firm has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. Lessee will also cause such firm to advise Lessor, the Indenture Trustee and the Owner Participant, in writing as promptly as practicable after such firm acquires knowledge that an interruption or reduction of any insurance carried and maintained on the Aircraft pursuant to the provisions of this Section 11 will occur.

(d) Insurance for Own Account. Nothing in this Section 11 shall limit or prohibit the Owner Participant (either directly or in the name of the Owner Trustee) or Lessee from obtaining insurance for its own account with respect to the Airframe or any Engine and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto, provided that (i) no such insurance may be obtained which would limit or otherwise adversely affect the coverage or amounts payable under insurance required to be maintained pursuant to this Section 11, it being understood that all salvage rights to the Airframe or such Engine shall remain with Lessee's insurers at all times, and (ii) the Owner Participant may obtain hull insurance on the Aircraft only to the extent the procurement of such insurance does not have an adverse effect on Lessee's ability or cost to obtain such insurance, except that the limitation in the foregoing clause (i) on the Owner Participant's right to obtain liability insurance shall not apply during any period in which Lessee is providing a Government indemnity in lieu

of the liability insurance required by Section 11(a) and the limitations in clauses (i) and (ii) on the Owner Participant's rights to obtain hull insurance shall not apply during any period in which Lessee is providing a Government indemnity in lieu of the hull insurance required by Section 11(b).

Section 12. Inspection. At all reasonable times during the Term, but upon at least 5 days' prior written notice to Lessee, Lessor, the Original Loan Participant or the Indenture Trustee or any of their respective authorized representatives may at their own expense and risk conduct a visual walk-around inspection of the Aircraft and any Engine (including a visual walk-around inspection of the Aircraft during any regularly scheduled heavy maintenance visit for the Aircraft conducted by Lessee during the Term) and may inspect the books and records of Lessee relating thereto; provided that (a) such representatives shall be fully insured to the reasonable satisfaction of Lessee by Lessor, the Original Loan Participant or the Indenture Trustee, as the case may be, with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone (it being understood that each Loan Participant may disclose such information to any other Loan Participant or to any holder of a participation in such Loan Participant's Certificates) other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, legal counsel, underwriters, lenders, rating agencies and authorized insurance brokers, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and

(vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority or as may be necessary for the enforcement of this Lease by Lessor or the Indenture Trustee. Lessee will, upon the request of Lessor, the Original Loan Participant or the Indenture Trustee at any time, notify Lessor, the Original Loan Participant or the Indenture Trustee, as the case may be, of the time and location of the next scheduled heavy maintenance visit to be conducted by Lessee in respect of the Aircraft during the Term; provided that Lessee shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified Lessor, the Original Loan Participant or the Indenture Trustee pursuant to this sentence, Lessee hereby agreeing to use reasonable efforts to notify Lessor, the Original Loan Participant or the Indenture Trustee, as the case may be, of any such rescheduling or change. None of Lessor, the Indenture Trustee or any Participant shall have any duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall relieve Lessee of any of its obligations under this Lease. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of Lessee's business, and Lessee shall not be required to undertake or incur any additional liabilities in connection therewith.

Section 13. Assignment, Citizenship, Etc. Except as otherwise provided in Section 7(b) or in the case of any requisition for use by any Government referred to in Section 7(a), Lessee will not, without the prior written consent of Lessor, assign any of its rights hereunder, except as permitted by Section 13 of the Participation Agreement. Except as elsewhere herein provided or as expressly permitted by the provisions of the Participation Agreement, Lessor agrees that it will not assign or convey its right, title and interest in and to this Lease or the Aircraft; provided, however, that, in each case where so

provided or permitted, the transferee shall be domiciled in the United States, shall be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and shall assume all of the obligations of Lessor under this Lease. To the extent required to entitle the Owner Trustee as Lessor under this Lease to the benefits of Section 1110 of the Bankruptcy Code, Lessee shall maintain in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority. The terms and provisions of this Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective permitted successors and assigns.

Section 14. Events of Default. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) Lessee shall fail to make any payment of Basic Rent, Stipulated Loss Value or Termination Value within 15 days after the same shall have become due or of any other amount of Supplemental Rent within 15 days after written notice of such failure by Lessor; or

(b) Lessee shall fail to carry and maintain insurance on or with respect to the Aircraft in accordance with the provisions of Section 11; provided that, in the case of insurance with respect to which cancellation, change or lapse for nonpayment of premium shall not be effective as to Lessor, the Indenture Trustee or any Participant (or, if applicable, any Affiliate of the Owner Participant) for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt of notice by Lessor, the Indenture Trustee or any Participant of such cancellation, change or lapse, no such failure to carry and maintain insurance shall constitute an Event of Default hereunder until the earlier of (i) the date such failure shall have continued unremedied for a period

of 20 days (five days in the case of any war risk and allied perils coverage) after receipt by Lessor of the notice of cancellation, change or lapse referred to in Section 11(a)(C) or 11(b)(C), or (ii) such insurance not being in effect as to any of Lessor, the Indenture Trustee and any Participant (or, if applicable, any Affiliate of the Owner Participant); or

(c) Lessee shall operate the Aircraft at a time when public liability insurance required by Section 11(a) shall not be in effect; or

(d) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement, any Lease Supplement, the Bills of Sale or the Purchase Agreement Assignment, and such failure shall continue unremedied for a period of 30 days after written notice thereof by Lessor; provided that, if such failure is capable of being remedied, so long as Lessee is diligently proceeding to remedy such failure (other than a failure to perform or observe the provisions of the penultimate sentence of Section 13), no such failure shall constitute an Event of Default hereunder for a period of up to 365 days; or

(e) any material representation or warranty made by Lessee in this Lease or in the Participation Agreement, any Lease Supplement, the Bills of Sale or the Purchase Agreement Assignment or in any document furnished by Lessee pursuant hereto or thereto (other than in the Tax Indemnity Agreement or any document furnished by Lessee pursuant thereto) shall prove to have been incorrect in any material respect at the time made, and such incorrectness shall continue to be material and unremedied for a period of 30 days after written notice thereof by Lessor; or

(f) Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or Lessee shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(g) Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessee in any such proceeding, or Lessee shall by voluntary petition or answer, consent to or seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(h) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of Lessee, a receiver, trustee or liquidator of Lessee or of any substantial part of its property, or sequestering any substantial part of the property of Lessee, and any such order, judgment, or decree of appointment or sequestration shall remain in force undismitted, unstayed or unvacated for a period of 90 days after the date of entry thereof; or

(i) a petition against Lessee in a proceeding under the Federal bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days;

provided that, notwithstanding anything to the contrary contained in this Lease, any failure of Lessee to perform or observe any covenant, condition, or agreement herein shall not constitute an Event of Default if such failure is caused solely by reason of an event referred to in the definition of "Event of Loss" so long as Lessee is continuing to comply with the applicable terms of Section 10.

Section 15. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option,

declare this Lease to be in default by a written notice to Lessee (provided that this Lease shall be deemed to have been declared in default without the necessity of such written notice upon the occurrence of any Event of Default described in paragraph (g), (h) or (i) of Section 14 hereof); and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the following with respect to all or any part of the Airframe and any Engines as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect; provided that during any period when the Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 7(b) and in the possession of the United States government or an instrumentality or agency thereof, Lessor shall not, on account of any Event of Default, be entitled to do any of the following in such manner as to limit Lessee's control under this Lease (or any sublessee's control under any sublease permitted by the terms of this Lease) of any Airframe or any Engines, unless at least 60 days' (or such lesser period as may then be applicable under the Military Airlift Command Program of the United States Government) prior written notice of default hereunder shall have been given by Lessor by registered or certified mail to Lessee (or any sublessee) with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under any contract with Lessee (or any sublessee) relating to the Aircraft:

(a) cause Lessee, upon the written demand of Lessor and at Lessee's expense, to return promptly, and Lessee shall return promptly, all or such part of the Airframe or any Engine as Lessor may so demand to Lessor or its order in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 5, as if the Airframe or such Engine were being returned at the end of the Term, or Lessor, at its option, may enter upon the premises where all or any part of the Airframe or any Engine are located and take immediate possession of and remove the same (together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; provided that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a

location within the continental United States, and such engine shall be held for the account of any such owner, lessor, lienor or secured party or, if owned by Lessee, may, at the option of Lessor, be exchanged with Lessee for an Engine in accordance with the provisions of Section 5(b)) by summary proceedings or otherwise, all without liability accruing to Lessor for or by reason of such entry or taking of possession or removal, whether for the restoration of damage to property caused by such taking or otherwise;

(b) sell all or any part of the Airframe and any Engine at public or private sale, whether or not Lessor shall at the time have possession thereof, as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of the Airframe or such Engine as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee except as hereinafter set forth in this Section 15 and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except to the extent required by paragraph (d) below if Lessor elects to exercise its rights under such paragraph (d) in lieu of its rights under paragraph (c) below;

(c) whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) or paragraph (b) above with respect to all or any part of the Airframe or any Engine, Lessor, by written notice to Lessee specifying a payment date (which date shall be deemed to be a "Termination Date" for purposes of computing Termination Value) which shall be not earlier than 30 days from the date of such notice, may demand that Lessee pay to Lessor, and Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for Lease Periods commencing on or after the Lease Period Date next preceding the payment date specified in such notice), if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being

payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, less any credit to which Lessee shall be entitled as hereinafter in this Section 15(c) provided, plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest, if any, on such amount at the applicable Overdue Rate from the Termination Date to but excluding the date of actual payment): (i) an amount equal to the excess, if any, of the Termination Value for the Airframe or such Engine or part thereof, computed as of the payment date specified in such notice, over the aggregate fair market rental value (computed as hereafter provided in this Section 15) of the Airframe or such Engine or part thereof for the remainder of the Term, after discounting such aggregate fair market rental value semi-annually (effective on the Lease Period Dates) to present worth as of the payment date specified in such notice at the Assumed Debt Rate; or (ii) an amount equal to the excess, if any, of the Termination Value for the Airframe or such Engine or part thereof computed as of the payment date specified in such notice, over the fair market sales value (computed as hereafter provided in this Section 15) of the Airframe or such Engine or part thereof as of the payment date specified in such notice; provided that if the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, if and so long as it shall have paid in full all Rent otherwise payable by it hereunder or pursuant hereto, be entitled to a credit against the amounts payable by it pursuant to this Section 15(c) in an amount equal to the lesser of the Unearned Advance Basic Rent as of the Termination Date and the amount, if any, by which such aggregate fair market rental value or such fair market sales value, as the case may be, exceeds such Termination Value; and provided, further, that in the event that the amount calculated pursuant to

this sentence to be credited exceeds the amount payable by Lessee pursuant to this Section 15(c) and any other amounts payable by Lessee hereunder as a result of the applicable Event of Default or the exercise of Lessor's remedies with respect thereto, the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee;

(d) in the event Lessor, pursuant to paragraph (b) above, shall have sold all or any part of the Airframe or any Engine, Lessor, in lieu of exercising its rights under paragraph (c) above with respect to the Airframe or such Engine or part thereof, may, if it shall so elect, demand that Lessee pay Lessor, and Lessee shall pay to Lessor, on the date of such sale (which date shall be deemed a "Termination Date" for purposes of computing Termination Value), as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for Lease Periods commencing on or after the Lease Period Date next preceding the date of such sale), if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, less any credit to which Lessee shall be entitled as hereinafter in this Section 15(d) provided, plus the amount of any deficiency between the net proceeds of such sale and the Termination Value for the Airframe or such Engine or part thereof, computed as of the date of such sale; provided that if the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, if and so long as it shall have paid in full all Rent otherwise payable by it hereunder or pursuant hereto, be entitled to a credit

against the amounts payable by it pursuant to this Section 15(d) in an amount equal to the lesser of the Unearned Advance Basic Rent as of the Termination Date and the amount, if any, by which such net proceeds of such sale exceed such Termination Value; and provided, further, that in the event that the amount calculated pursuant to this sentence to be credited exceeds the amount payable by Lessee pursuant to this Section 15(d) and any other amounts payable by Lessee hereunder as a result of the applicable Event of Default or the exercise of Lessor's remedies with respect thereto, the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee; and

(e) Lessor may rescind this Lease as to the Airframe and any or all Engines, or may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action or actions, either at law or in equity, to enforce the terms or to recover damages for the breach hereof.

In addition, Lessee shall be liable, except as otherwise provided in paragraphs (c) and (d) above and without limiting the effect of the penultimate sentence of Section 3(c), without duplication of any amounts payable hereunder, for any and all unpaid Rent due hereunder before, after or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the retaking or return of the Airframe or any Engine in accordance with the terms of Section 5 or in placing such Airframe or Engine in the condition and airworthiness required by such Section; provided that, if Lessee returns or surrenders possession of all or any part of the Airframe or any Engine in accordance with this Section 15 and Lessor does not within 365 days after the date of such return or surrender exercise its rights under paragraph (c) or (d) above with respect to such Airframe or Engine or part thereof, there shall be deducted from each payment of Basic Rent becoming due after the expiration of such 365-day period an amount equal to the quotient obtained by dividing the aggregate fair market rental value (computed as hereafter provided in this Section 15) of such Airframe or Engine or part thereof, for the re-

remainder of the Term after the expiration of such 365-day period (computed as of the date of such expiration), by the number of Basic Rent installments remaining with respect to the Aircraft after the expiration of such 365-day period to the end of the Term; and provided, further, that Lessor and Lessee agree that, notwithstanding anything to the contrary set forth in this Lease, the Trust Indenture, the Participation Agreement, the Tax Indemnity Agreement or any other document or instrument relating hereto or thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of the Break Amount, if any, payable with respect to the Certificates as a result of (x) a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (y) an Indenture Default that does not also constitute an Event of Default. For purposes of paragraph (c) above and the preceding sentence, the "aggregate fair market rental value" or the "fair market sales value" of the Airframe or any Engine or any part thereof shall be as specified in an Independent Appraisal. At any sale of the Airframe or any Engine or part thereof pursuant to this Section 15, Lessor or any Participant may bid for and purchase such property. Except as otherwise expressly provided above, no remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

Section 16. Single Transaction. Lessor and Lessee agree that the transactions contemplated by this Lease, the Participation Agreement, the Tax Indemnity Agreement, the other Operative Documents and the Rent Schedule are intended to and shall be construed to constitute one transaction. Lessee and Lessor hereby acknowledge that this Lease is a "lease" for purposes of Section 1110 of the Bankruptcy Code. So long as said Section 1110, or any successor or comparable provision affording protection to lessors of aircraft from the automatic stay under the Bankruptcy Code (then in effect) is in effect, Lessee hereby agrees that it will not, in

connection with any bankruptcy proceeding involving Lessee, take a position in the United States Bankruptcy Court that is inconsistent with Lessor's rights under said Section 1110 or said successor or comparable provision.

Section 17. Further Assurances; Financial Information.

Forthwith upon the execution and delivery of each Lease Supplement and Trust Agreement and Indenture Supplement, Lessee will cause such Lease Supplement and Trust Agreement and Indenture Supplement (and, in the case of the initial Lease Supplement and Trust Agreement and Indenture Supplement with respect to the Aircraft, this Lease, the Trust Indenture and the Trust Agreement) to be duly filed and recorded in accordance with the Federal Aviation Act. In addition, each of Lessor and Lessee will promptly and duly execute and deliver to the other party hereto such further documents and assurances and take such further action as such other party may from time to time reasonably request in order effectively to carry out the intent and purpose of this Lease, including, without limitation, if requested by Lessor, the execution and delivery of supplements or amendments hereto or, in the case of Lessor, to the Trust Indenture, in recordable form, subjecting to this Lease and, in the case of Lessor, to the Trust Indenture, any Replacement Airframe or Replacement Engine and the recording or filing of counterparts hereof or thereof, in accordance with the laws of such jurisdictions as Lessor may from time to time deem advisable; provided that this sentence is not intended to impose upon Lessee any additional liabilities not otherwise contemplated by this Lease and the Participation Agreement. Lessee also agrees to furnish Lessor, the Owner Participant and the Indenture Trustee (i) within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income and cash flows for such period, (ii) within 120 days after the close of each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income and cash flows for such fiscal year, as certified by independent public accountants, (iii) within 120 days after the close of each fiscal year of Lessee, a certificate of Lessee, signed by a Responsible Officer of Lessee and addressed to Lessor, the Indenture Trustee and the Owner Participant,

to the effect that the signer has reviewed the relevant terms of this Lease and the Participation Agreement and has made, or caused to be made under his supervision, a review of the transactions and condition of Lessee during the accounting period covered by the financial statements referred to in clause (ii) above, and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Lessee has taken or is taking or proposes to take with respect thereto, and (iv) from time to time such other non-confidential information as Lessor or the Indenture Trustee may reasonably request.

Section 18. Notices. All notices required under the terms and provisions of this Lease shall be in English and in writing, and any such notice may be given by United States mail, courier service, telegram, telex, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered (i) if to Lessee, to P.O. Box 619616, Dallas/Fort Worth International Airport, Texas 75261-9616, Attention: Treasurer, or at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, Attention: Treasurer, Telex: 4630158, Facsimile: (817) 967-4318, Telephone: (817) 963-1234 or to such other address as Lessee shall from time to time designate in writing to Lessor, (ii) if to Lessor, to Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-1), Telex: 835437, Answerback: WILM TR, Facsimile: (302) 651-8464, Telephone: (302) 651-1000, or to such other address as Lessor shall from time to time designate in writing to Lessee, (iii) if to the Owner Participant or the Original Loan Participant, to their respective addresses set forth on the signature pages of the Participation Agreement, or to such other address as the Owner Participant or any Loan Participant shall from time to time designate in writing to Lessee and Lessor, and (iv) if to the Indenture Trustee, to 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-1), Facsimile: (404) 607-6534, Telephone: (404) 607-4680, or such other address as the Indenture Trustee shall from

time to time designate in writing to Lessor and Lessee. Prior to the discharge of the lien of the Trust Indenture, Lessee shall furnish the Indenture Trustee directly with a copy of each report, notice, request, demand, certificate, financial statement or other instrument or document furnished to Lessor hereunder.

Section 19. No Setoff, Counterclaim, Etc. This Lease is a net lease and it is intended that Lessee shall pay all costs and expenses of every character whether seen or unforeseen, ordinary or extraordinary, or structural or nonstructural in connection with the use, operation, maintenance, repair and reconstruction of the Airframe and each Engine by Lessee, including the costs and expenses particularly set forth in this Lease. Lessee's obligation to pay all Rent payable hereunder shall, subject to Section 3(f) and the final sentence of Section 3(c), be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, any Participant, the Indenture Trustee or anyone else for any reason whatsoever, (ii) any defect in the title, airworthiness, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, the Aircraft, or any interruption or cessation in or prohibition of the use or possession thereof by Lessee for any reason whatsoever, (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or any other Person or (iv) any other circumstance, happening or event whatsoever, whether or not unforeseen or similar to any of the foregoing. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, Lessee nonetheless agrees, subject to Section 3(f), to pay to Lessor an amount equal to each Basic Rent and Supplemental Rent payment under Section 3 at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall be final as to Lessor and Lessee, and Lessee will not seek to recover all or any part of any such payment of Rent from Lessor or from the Indenture Trustee for any reason

whatsoever; provided that nothing in this sentence shall be construed to modify or limit in any way Lessee's rights under Section 3(f) and the penultimate sentence of Section 3(c) or its rights to rebate under Section 9(b), 9(d), 15(c) or 15(d).

Section 20. Renewal Options; Purchase Options. (a) Renewal Options. Lessee shall have the right to extend this Lease with respect to the Aircraft for up to five additional periods of one year each (each such period being hereinafter referred to as a "Renewal Term"), each commencing at the end of the Term or a Renewal Term. Such option to renew shall be exercised upon irrevocable written notice from Lessee to Lessor given not less than 120 days prior to the commencement of the first day of each Renewal Term and if no Event of Default shall have occurred and be continuing on such date, then this Lease shall be extended for the additional period of such Renewal Term on the same conditions provided for herein, and upon such extension, the word "Term" whenever used herein shall be deemed to refer, unless the context otherwise requires, to such Renewal Term; provided that the rental payable during such Renewal Term shall be at a rental rate equal to (i) in the case of the first Renewal Term the lesser of (x) the Renewal Term Rate and (y) the fair market rental value for the Aircraft determined within 90 days after such election by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal, and (ii) in the case of any Renewal Term thereafter, the fair market rental value of the Aircraft determined within 90 days after such election by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal; and provided, further, that the provisions of Section 9 shall not be applicable during any Renewal Term. The amounts which are payable during any such Renewal Term in respect of Termination Value as used in Section 15 and Stipulated Loss Value with respect to the Aircraft shall be determined on the basis of the fair market sales value of the Aircraft as of the commencement of such Renewal Term, amortized on a straight-line basis over such Renewal Term to the fair market sales value of the Aircraft as of the expiration of such Renewal Term, as such fair market sales value in each case is determined prior to the commencement of such Renewal Term by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, as determined by an Independent Appraisal.

(b) Special Purchase Option. On July 2, 2012, or, if such date is not a Business Day, on the next succeeding Business Day (the "Special Purchase Option Date"), Lessee shall have the right, at its option, to purchase the Aircraft. Such option to purchase the Aircraft shall be exercised irrevocably upon written notice from Lessee to Lessor given not less than 120 days prior to the Special Purchase Option Date. In the event that Lessee shall have so elected to purchase the Aircraft, on the Special Purchase Option Date, (x) Lessee shall pay the Basic Rent installment due on the Special Purchase Option Date (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), and at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), (1) an amount determined by multiplying Lessor's Cost for the Aircraft by the Special Purchase Price Percentage (the "Special Purchase Price"), plus (2) all Supplemental Rent (including, without limitation, the Break Amount, if any, on the Certificates) due and owing on such Special Purchase Option Date, plus (3) all Basic Rent due prior to and unpaid on such Special Purchase Option Date, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates (including, without limitation, any scheduled payment of principal of or accrued interest on the Certificates due and payable on the Special Purchase Option Date but only to the extent that any Basic Rent installment payable by Lessee pursuant to clause (x) above or previously paid pursuant to this Lease does not cover such scheduled payment of principal or accrued interest on the Certificates and excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Purchase Option Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee in its individual capacity) in accordance with Section 2.16 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Purchase Price over an amount equal to the sum of the principal of, and any accrued and unpaid interest on (except that such unpaid interest, for purposes of this Section 20(b), shall be deemed to have accrued at the Assumed Debt Rate), the outstanding Certificates on such Special Purchase Option Date, after taking into account any payments of principal or interest made in respect of

the outstanding Certificates on such Special Purchase Option Date, and (y) Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates as provided for above, Lessor will request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the Lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(c) Purchase Option. Lessee shall have the right, at its option, at the expiration of the Term or any Renewal Term, to elect to purchase the Aircraft at a price equal to the fair market sales value of the Aircraft, as determined as provided below. Such option to purchase shall be exercised irrevocably upon written notice from Lessee to Lessor given not less than 120 days prior to the last day of the Term or any Renewal Term, as the case may be. If Lessee shall have so elected to purchase the Aircraft, Lessor shall transfer without recourse or warranty (except as to Lessor's Liens) the Aircraft to Lessee, against payment by Lessee of the applicable purchase price and any other amounts due hereunder in immediately available funds. In order to enable Lessee to determine whether it wishes to exercise such election to purchase, the fair market sales value for the Aircraft shall, at Lessee's request made in sufficient time to permit such determination, be determined not less than 150 days prior to the end of the Term or any Renewal Term by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal.

Section 21. Successor Owner Trustee. Lessee agrees that, in the case of the appointment of any successor Owner Trustee pursuant to the terms of the Trust Agreement and Section 9(d) of the Participation Agreement, such successor Owner Trustee shall succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor of the Aircraft for all purposes without in any way altering the terms of this Lease or Lessee's obligations hereunder. Lessee further agrees that in the case of the appointment of any additional trustee to act as co-trustee or as a separate trustee pursuant to

the terms of the Trust Agreement and Section 9(d) of the Participation Agreement, such additional trustee shall acquire such rights, power and title of Lessor hereunder as are specified in the instruments appointing such additional trustee, without in any way altering the terms of this Lease or Lessee's obligations hereunder. One such appointment and designation of a successor or additional Owner Trustee shall not exhaust the right to appoint and designate further successor or additional Owner Trustees pursuant to the Trust Agreement and Section 9(d) of the Participation Agreement, but such right may be exercised repeatedly as long as this Lease shall be in effect.

Section 22. Security for Lessor's Obligation to Loan Participants. In order to secure the indebtedness evidenced by the Certificates, Lessor has agreed in the Trust Indenture, among other things, to assign to the Indenture Trustee this Lease and the Lease Supplements and to mortgage in favor of the Indenture Trustee all of Lessor's right, title and interest in and to the Aircraft, subject to the reservations and conditions therein set forth. Lessee hereby consents to such assignment and to the creation of such mortgage and security interest and acknowledges receipt of copies of the Trust Indenture and the Trust Agreement and Indenture Supplement, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent under any other circumstances. Until the lien of the Trust Indenture has been released, (a) Lessee shall make all payments of Rent and all other amounts payable hereunder (in each case, other than Excepted Property) to the Indenture Trustee as provided in Section 3(d) and the right of the Indenture Trustee to receive such payment shall, subject to Section 3(f), not, without limiting the provisions of Section 19 hereof, be subject to any defense, counterclaim, setoff or other right or claim of any kind which Lessee may be able to assert against Lessor (in its individual or trust capacity), the Indenture Trustee (in its individual or trust capacity), any Participant or any other Person in any action brought by any thereof on this Lease, (b) all rights of Lessor with respect to this Lease, the Aircraft, the Airframe or any Engine or any Part thereof, to the extent set forth in and subject in each case to the exceptions set forth in the Trust Indenture, shall be exercisable by the Indenture Trustee and (c) all documents, notices, certificates and opinions of counsel sent by Lessee to the Owner Trustee will also be sent to the Indenture Trustee. To the ex-

tent, if any, that this Lease Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the original counterpart, which shall be identified as the counterpart containing the receipt therefor executed by the Indenture Trustee on the signature page thereof.

Section 23. Lessor's Right to Perform for Lessee. If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor may, on behalf of Lessee and upon prior notice to Lessee, itself make such payment or undertake such performance or compliance. The amount of any such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment, performance or compliance together with interest thereon, at the Overdue Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand.

Section 24. Maintenance of Certain Engines. Notwithstanding anything to the contrary contained herein, an aircraft engine which is not an Engine, but which is installed on the Airframe, shall be maintained in accordance with Section 7(a).

Section 25. Investment of Security Funds; Miscellaneous. Any moneys required to be paid to or retained by Lessor which are not required to be paid to Lessee pursuant to Section 10(f) or 11(b) solely because an Event of Default hereunder (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred, or which are required to be paid to Lessee pursuant to Section 10(c) or 11(b) after completion of a replacement to be made pursuant to Section 10(a) shall, until paid to Lessee as provided in Section 10 or 11 or applied as provided herein or in the Trust Agreement and Trust Indenture, be invested in Permitted Investments by Lessor (unless the Trust Indenture shall not have been discharged, in which case, by the Indenture Trustee as provided in Section 3.07 of the Trust Indenture) from time to time as directed in writing by Lessee. There shall, so long as no Event of Default shall have occurred or be continuing, be promptly remitted to Lessee as a rebate of Rent any gain (including interest received) realized as the result of any such

investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) and Lessee will promptly pay to Lessor or the Indenture Trustee, as the case may be, on demand, as Supplemental Rent the amount of any loss realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment), such amount to be disposed of in accordance with the terms of the Trust Agreement and the Trust Indenture.

Section 26. Concerning the Lessor. Wilmington Trust Company is entering into this Lease Agreement solely in its capacity as Owner Trustee under the Trust Agreement and not in its individual capacity (except as expressly stated herein) and in no case shall Wilmington Trust Company (or any entity acting as successor Owner Trustee under the Trust Agreement) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of Lessor hereunder; provided, however, that Wilmington Trust Company (or any such successor Owner Trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of its covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

Section 27. Sublessee's Performance and Rights. Any obligation imposed on Lessee in this Lease shall require only that Lessee perform or cause to be performed such obligation, even if stated herein as a direct obligation, and the performance of any such obligation by any permitted assignee, sublessee or transferee under an assignment, sublease or transfer agreement then in effect shall constitute performance by Lessee and to the extent of such performance discharge such obligation by Lessee. Except as otherwise expressly provided herein, any right granted to Lessee in this Lease shall grant Lessee the right to exercise such right or permit such right to be exercised by any such assignee, sublessee or transferee; provided that no such assignee, sublessee or transferee shall be permitted to exercise the self-insurance rights of Lessee set forth in Section 11. The inclusion of specific references to obligations or rights of any such assignee, sublessee or transferee in certain provisions of this Lease shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in

respect of which specific reference to any such assignee, sublessee or transferee has not been made in this Lease.

Section 28. Miscellaneous. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Lease may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered, subject to Section 22, shall be an original, but all such counterparts shall together constitute but one and the same instrument. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision prohibited or unenforceable in any respect. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought and no provision referring to the Owner Participant or requiring the consent or participation of or notice to the Owner Participant may be waived, modified, supplemented, terminated or amended without the express written consent of the Owner Participant. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in the Aircraft except as a lessee only. To the extent consistent with the provisions of Title 11 U.S.C. Section 1110, or any analogous section of the Federal bankruptcy laws, as amended from time to time, it is hereby expressly agreed that, notwithstanding any other provisions of the Federal bankruptcy laws, as amended from time to time, the title of Lessor to the Aircraft and any right of Lessor to take possession of the Aircraft in compliance with the provisions of this Lease shall not be affected by the provisions of the Federal bankruptcy laws, as amended from time to time. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Lease.

THIS LEASE AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Agreement to be duly executed as of the day and year first above written.

LESSOR:

WILMINGTON TRUST COMPANY,  
not in its individual capacity,  
except as expressly stated herein,  
but solely as Owner Trustee

By William B. Sowden, III  
Vice President

LESSEE:

AMERICAN AIRLINES, INC.

By Jeffery M. Jackson  
Vice President and Treasurer

EXHIBIT A TO  
LEASE AGREEMENT

LEASE SUPPLEMENT NO. \_\_\_ (AA 1992 AF-1), dated \_\_\_\_\_, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee under that certain Trust Agreement (AA 1992 AF-1), dated as of June 15, 1992, between AT&T Credit Corporation, a Delaware corporation, and such Owner Trustee (such Owner Trustee, in its capacity as such Owner Trustee, being herein called "Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation ("Lessee").

## W I T N E S S E T H:

WHEREAS, Lessor and Lessee have heretofore entered into that certain Lease Agreement (AA 1992 AF-1), dated as of June 15, 1992 (herein called the "Lease Agreement" and the defined terms therein being hereinafter used with the same meanings), providing for the execution and delivery from time to time of Lease Supplements each substantially in the form hereof for the purpose of leasing specific Aircraft under the Lease Agreement as and when delivered by Lessor to Lessee in accordance with the terms thereof.

\*WHEREAS, the Lease Agreement relates to the aircraft and engines described below, and counterparts of the Lease Agreement are attached hereto and made a part hereof and this Lease Supplement, together with such attachments, is being filed for recordation on the date hereof with the Federal Aviation Administration as one document.

\*\*WHEREAS, the Lease Agreement relates to the aircraft and engines described below, and a counterpart of the Lease Agreement, attached to and made a part of Lease Supplement No. 1 (AA 1992 AF-1), dated June \_\_, 1992, to the Lease Agreement, has been recorded by the Federal Aviation Administration on \_\_\_\_\_, 1992 as one document and assigned Conveyance No. \_\_\_\_\_.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

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\* This language for Lease Supplement No. 1.

\*\* This language for other Lease Supplements.

Exhibit A  
AF-1

(i) Lessor hereby delivers and leases to Lessee under the Lease Agreement, and Lessee hereby accepts and leases from Lessor under the Lease Agreement, the following described Boeing 767-323ER Aircraft which Aircraft as of the date hereof consists of the following components:

(i) Boeing 767-323ER airframe: U.S. Identification Number N374AA; Manufacturer's Serial No. 25201; and

(ii) two (2) General Electric CF6-80C2B6 engines relating to such airframe and bearing, respectively, Manufacturer's Serial Nos. 695522 and 695515 (each of which engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower).

Lessee confirms that Lessee has accepted delivery of the Aircraft for all purposes hereof and of the Lease Agreement, as being airworthy, in good working order and repair and without defect or inherent vice in title, condition, design, operation or fitness for use, or suitability for a particular purpose; provided, however, that nothing contained herein or in the Lease Agreement shall in any way diminish or otherwise affect any right Lessor or Lessee may have with respect to the Aircraft against the Manufacturer or any other supplier or subcontractor of the Manufacturer, under the Purchase Agreement or otherwise.

(ii) The Delivery Date of the Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

(iii) The Term for the Aircraft shall commence on the Delivery Date and shall end on July 2, 2017.

(iv) All of the terms and provisions of the Lease Agreement are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.

(v) This Lease Supplement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Lease Supplement including a signature page executed by each of the parties hereto shall be an original counterpart of the Lease Supplement,

but all of such counterparts together shall constitute one instrument.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Supplement to be duly executed on the date first above written.

LESSOR:

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely as  
Owner Trustee

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

LESSEE:

AMERICAN AIRLINES, INC.

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

CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE SUPPLEMENT OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 AF-1), DATED AS OF JUNE 15, 1992, BETWEEN WILMINGTON TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 AF-1), DATED AS OF JUNE 15, 1992, FOR THE BENEFIT OF THE HOLDERS OF THE CERTIFICATES REFERRED TO IN SUCH TRUST INDENTURE AND SECURITY AGREEMENT. THIS LEASE SUPPLEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. ONLY THAT COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THIS RECEIPT THEREFOR EXECUTED BY NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF AND NO SECURITY INTEREST IN THE LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OF ANY COUNTERPART OTHER THAN THIS EXECUTED ORIGINAL COUNTERPART. SEE SECTION 22 OF THE LEASE AGREEMENT FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Receipt of this original counterpart of the foregoing Lease Supplement is hereby acknowledged on this \_\_\_\_ day of June, 1992.

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION,  
as Indenture Trustee

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

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Exhibit A  
AF-1

LIST OF PERMITTED COUNTRIES

NORTH AMERICA

Canada  
Mexico

ASIA/OCEANIA

Japan  
India  
Australia  
New Zealand

EUROPE

Austria  
Federal Republic of Germany  
Finland  
United Kingdom  
Spain (including Canary Islands)

Exhibit B  
AF-1

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FORM OF  
FIRST AMENDMENT TO  
LEASE AGREEMENT (AA 1992 AF-1)  
(Redesignated AA 1995 PTC Series AA)

Dated as of June 15, 1995

between

WILMINGTON TRUST COMPANY,

not in its individual  
capacity but solely  
as Owner Trustee, as  
Lessor

and

AMERICAN AIRLINES, INC.,

as Lessee

One Boeing 767-323ER Aircraft  
N374AA

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Series AA

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FIRST AMENDMENT TO LEASE  
AGREEMENT (AA 1992 AF-1)  
(Redesignated AA 1995 PTC Series AA)

This FIRST AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Lease Amendment"), dated as of June 15, 1995, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, with its principal place of business at Rodney Square North, 1101 N. Market Street, Wilmington, Delaware 19890-0001, not in its individual capacity, except as expressly stated herein and in the Lease referred to below, but solely as Owner Trustee under a certain Trust Agreement (AA 1992 AF-1), dated as of June 15, 1992, and its permitted successors and assigns ("Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation with its principal place of business at Dallas/Fort Worth International Airport, Texas 75261-9616 and its permitted successors and assigns ("Lessee").

W I T N E S S E T H:

WHEREAS, Lessee, the Owner Participant (as defined in the Original Participation Agreement referred to below, the "Owner Participant"), Trust Company Bank ("TCB") as Original Loan Participant, Lessor and NationsBank of Georgia, National Association, a national banking association (the "Indenture Trustee"), entered into that certain Participation Agreement (AA 1992 AF-1), dated as of June 15, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N374AA and Manufacturer's Serial Number 25201 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and the Indenture Trustee entered into that certain Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of June 15, 1992 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-1), dated June 17, 1992 the "Original Indenture"), pursuant to which the Lessor issued to TCB a certificate substantially in the form set forth in Section 2.01 of such Original Indenture as evidence of the loan then being made by TCB;

Series AA

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and Lessee entered into a Lease Agreement (AA 1992 AF-1) relating to the Aircraft, dated as of June 15, 1992 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 AF-1), dated June 17, 1992, the "Lease"; capitalized terms used herein without definition having the meanings set forth therefor in the Lease), whereby, subject to the terms and conditions set forth therein, Lessor agreed to lease to Lessee, and Lessee agreed to lease from Lessor, the Aircraft on its Delivery Date;

WHEREAS, a counterpart of the Lease was recorded by the Federal Aviation Administration on June 18, 1992, and assigned Conveyance No. WW41683;

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the Loan Certificates (as such term is defined in the Original Indenture) pursuant to Section 2.12 of the Original Indenture as part of a refunding or refinancing operation and Section 3(e) of the Lease contemplates the adjustment of Rent in the event of such a refunding or refinancing operation; and the Lessee has given its written notice to the Owner Participant and the Owner Trustee, pursuant to such Section 20, of its desire to implement such a refunding or refinancing operation;

WHEREAS, in order to accomplish such redemption (i) Lessee, the Owner Trustee, the Indenture Trustee, TCB and State Street Bank and Trust Company of Connecticut, National Association (the "Loan Trustee"), have entered into the Instrument of Resignation, Appointment and Acceptance, dated as of the date hereof (the "Instrument of Resignation"), pursuant to which the Indenture Trustee has resigned under the Original Indenture, and TCB, Lessee and the Owner Trustee have accepted such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee, (ii) Lessee, the Owner Participant, Lessor, the Indenture Trustee, TCB, State Street Bank and Trust Company of Connecticut, National Association, as Trustee (in such capacity, the "Pass Through Trustee") under one or more separate Pass Through Trust Supplements (entered into pursuant to the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between the Lessee and the Pass Through Trustee) with Lessee, each dated as of the date hereof, and the Loan Trustee have entered into a Refunding Agreement (AA 1995 PTC Series AA), dated as of June 2, 1995 (the "Refunding Agreement"), and (iii) Lessor and the Loan Trustee

have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA) (such amended and restated Indenture, the "Trust Indenture" or the "Indenture"); and

WHEREAS, in order to carry out the provisions of Section 20 of the Original Participation Agreement and the provisions of the Refunding Agreement, including, without limitation, Section 6 thereof, Lessor and Lessee wish to amend the Lease by entering into this Lease Amendment;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

Section 1. Amendment to Section 1 of the Lease. (a) Section 1 of the Lease is amended by deleting the definitions of "Break Amount" and "Debt Rate".

(b) The definition of "Certificate" is amended by inserting the words "provided that from and after the Refunding Date (as defined in the Refunding Agreement) the term "Certificate" shall mean and include any Equipment Note" between the words "Trust Indenture" and ".".

(c) The definition of "Event of Loss" is amended by deleting the word "Certificates" and substituting therefor the words "Equipment Notes", and by deleting the words "the date on which notice of payment of the Certificates is given pursuant to Section 2.14 of the Trust Indenture" and substituting therefor the words "the date of any notice of redemption of Equipment Notes relating to the occurrence of any such event".

(d) The definition of "Indenture Trustee" is amended by inserting the words ", including (upon the execution of the Instrument of Resignation, as defined in the Refunding Agreement) State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee" between the words "Trust Indenture" and ".".

(e) The definition of "Loan Participant Liens" is amended by inserting the words "affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or in this Lease or the Trust Estate or the Indenture Estate or any interest therein" after the words "means Liens".

(f) The definition of "Stipulated Loss Value" is amended by deleting the words "Break Amount, if any," and substituting therefor the words "Swap Breakage Loss, if any"; and by deleting the last two sentences thereof and by deleting from the end of clause (i) of the first sentence thereof the words "as such percentage may be adjusted as provided below,".

(g) The definition of "Supplemental Rent" is amended by adding at the end thereof after the words "with reference thereto" the words "and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable in accordance with Section 3(c) hereof".

(h) The definition of "Tax Indemnity Agreement" is amended by adding at the end thereof the phrase ", as the same may be modified, amended or supplemented from time to time".

(i) The definition of "Termination Value" is amended by deleting the words "Break Amount, if any" and substituting therefor the words "Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be,"; and by deleting the last two sentences thereof and by deleting from the first sentence thereof the words "as such percentage may be adjusted as provided below". The definition of "Termination Value" is further amended by deleting the words "such Event of Loss" and substituting therefor the words "such Lease termination" in each place where such words appear.

(j) The definition of "Trustee's Liens" is amended by deleting the word "5.04" and substituting therefor the word "9.09".

(k) The definitions of "Business Day", "Federal Aviation Act", "Indenture", "Lease Period", "Lease Period Date", "Loan Certificate", "Loan Participant", "Operative Documents", "Overdue Rate", "Rent Schedule", "Transaction Costs" and "Trust Indenture" contained in Section 1 of the Lease are amended in their entirety to read as follows:

"Business Day" means (i) if such day relates to a payment or prepayment of principal of or interest on the Equipment Notes (or Basic Rent the proceeds of which will be utilized for such purpose) or a notice by Lessor with respect to any such payment or prepayment, any day on which dealings in Dollar deposits are carried out in the London interbank market, other than a

Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Owner Trustee is located, the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds and (ii) in all other cases, any day other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Owner Trustee is located or the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds.

"Federal Aviation Act" means the Federal Aviation Act of 1958, as amended, including as repealed and restated in subtitle VII of Title 49 of the United States Code. References in any Operative Document to any section of the Federal Aviation Act shall be deemed to refer to the corresponding provision of Title 49 of the United States Code.

"Indenture" means the Trust Indenture.

"Lease Period" means (i) the period from June 15, 1995 to and including July 1, 1995 and (ii) each of forty-four consecutive semi-annual periods thereafter, the first such semi-annual period commencing and including July 2, 1995 and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than July 2, 2017).

"Lease Period Date" means July 2, 1995 and each succeeding January 2 and July 2 to and including July 2, 2017, together with the Base Lease Expiration Date; provided that during any Renewal Term, the "Lease Period Date" shall include each succeeding January 2 and July 2 during such Renewal Term.

"Loan Certificate" has the meaning set forth for the term "Certificate" herein.

"Loan Participant" has the meaning specified in the Trust Indenture.

"Operative Documents" means this Agreement, each Lease Supplement, the Participation Agreement, the Trust Indenture, the Equipment Notes, each Trust Agreement and Indenture Supplement, the Trust Agreement, the Bills of Sale, the Purchase Agreement Assignment, the Refunding Agreement, the Rent Schedule and the Tax Indemnity Agreement.

"Overdue Rate" means (i) with respect to the portion of any payment of Rent that would be required to be distributed to a Loan Participant pursuant to the terms of the Trust Indenture, the Past Due Rate applicable to the Equipment Notes held by such Loan Participant and (ii) with respect to the portion of any payment of Rent that would be required to be distributed to Lessor pursuant to the terms of the Trust Indenture or would be payable pursuant to the terms of any of the Operative Documents directly to Lessor, the Owner Participant, or the Owner Trustee in its individual capacity, the lesser of 2% over the Base Rate and the maximum interest rate from time to time permitted by law.

"Rent Schedule" means the Rent Schedule (AA 1992 AF-1), dated as of June 15, 1992, among Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee named therein, as amended and restated as the Amended and Restated Rent Schedule (AA 1995 PTC Series AA), dated as of the date hereof, among Lessee, the Owner Participant, the Owner Trustee, the Loan Trustee and the Indenture Trustee, as the same may be further modified, supplemented or amended from time to time pursuant to the applicable provisions of the Operative Documents.

"Transaction Costs" has the meaning set forth in Section 3(e) hereof.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of June 15, 1992 between Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee) and the Indenture Trustee named therein, as amended and restated as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of the date hereof, as the same may be further modified, supplemented or

amended from time to time pursuant to the applicable provisions thereof.

(1) The following definitions of "Average Certificate Rate", "Bank Equipment Note", "Equipment Note", "Loan Trustee", "Make-Whole Amount", "Outstanding", "Pass Through Certificates", "Pass Through Equipment Note", "Pass Through Trust", "Pass Through Trust Agreement", "Pass Through Trust Supplement", "Pass Through Trustee", "Permitted Transferee", "Refunding Agreement", "Swap Breakage Loss" and "Termination Contract Date" shall be inserted in Section 1 of the Lease in alphabetical order:

"Average Certificate Rate" means the weighted average interest rate applicable to the Equipment Notes at the time outstanding, computed on the basis of a 360-day year of twelve 30-day months.

"Bank Equipment Note" has the meaning specified in the Trust Indenture.

"Equipment Note" has the meaning specified in the Trust Indenture.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association, as successor trustee to the Indenture Trustee, and each other Person that may from time to time be acting as loan trustee under the Trust Indenture.

"Make-Whole Amount" means the Make-Whole Amount (as defined in the Trust Indenture), if any, payable pursuant to Section 6.01(b) of the Trust Indenture. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Make-Whole Amount shall be payable solely with respect to the Pass Through Equipment Notes, and Make-Whole Amount shall not be calculated or payable with respect to the Bank Equipment Notes.

"Outstanding" or "outstanding", when used with respect to Equipment Notes, has the meaning set forth in the Trust Indenture.

"Pass Through Certificates" means any of the Pass Through Certificates issued pursuant to any of the Pass Through Trust Supplements.

"Pass Through Equipment Note" has the meaning specified in the Trust Indenture.

"Pass Through Trust" means each Pass Through Trust created pursuant to a Pass Through Trust Supplement.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Pass Through Trust Supplement" means Pass Through Trust Supplement No. 1, dated as of June 15, 1995, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, a national banking association, in its capacity as Trustee under the Pass Through Trust Supplement, and each other person which may from time to time be acting as successor trustee under the Pass Through Trust Supplement.

"Permitted Transferee" shall have the meaning set forth in the Participation Agreement.

"Refunding Agreement" means that certain Refunding Agreement (AA 1995 PTC Series AA) dated as of June 2, 1995, among the Lessee, the Owner Participant, the Lessor, the Initial Bank Lender, the Pass Through Trustee under each Pass Through Trust Supplement, the Original Loan Participant, the Indenture Trustee and the Loan Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Swap Breakage Loss" means Swap Breakage Loss (as defined in the Refunding Agreement), if any. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Swap Breakage Loss shall be payable solely with respect to the Bank Equipment Notes, and Swap Breakage Loss shall not be calcu-

lated or payable with respect to the Pass Through Equipment Notes.

"Termination Contract Date" means the thirtieth day preceding any Termination Date or, if such day is not a Business Day, the next succeeding Business Day.

Section 2. Amendment to Section 3 of the Lease. (a) Section 3(b) is amended by deleting the word "semiannual" in the first sentence thereof, and by deleting the second paragraph thereof.

(b) The penultimate paragraph of Section 3(b) of the Lease is amended by inserting the word "Outstanding" between the words "and interest on the" and "Certificates required to be paid".

(c) Section 3(c) of the Lease is amended in its entirety to read as follows:

"(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. In addition, Lessee will pay as Supplemental Rent (i) on demand, an amount equal to interest at the Overdue Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due for the period until the same shall be paid, (ii) (A) in the case of any redemption or purchase of Equipment Notes requested or consented to by the Lessee pursuant to Section 17 of the Participation Agreement, the Make-Whole Amount, if any, payable pursuant to Section 6.01(b) of the Trust Indenture and the Swap Breakage Loss, if any, incurred by each Bank Lender or (B) in the case of an acceleration or redemption (or purchase in lieu of redemption) of the Equipment Notes, in either case resulting from an Indenture Event of Default that also constitutes an Event of Default, the Swap Breakage Loss, if any, incurred by each Bank Lender; and (iii) all Additional Costs payable by Lessor under Section 14(a) of the Refunding Agreement; provided that notwithstanding anything to the contrary

set forth in any Operative Document or any document or instrument relating thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of (x) Make-Whole Amount, if any, payable thereon as a result of a redemption or purchase of the Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of Lessee or (y) an Indenture Default that does not also constitute an Event of Default. All Supplemental Rent to be paid pursuant to this Section 3(c) shall be payable in the type of funds and in the manner set forth in Section 3(d)."

(d) Section 3(d) of the Lease is amended by deleting the words "Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-1)" and substituting therefor the words "Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1992 AF-1) (redesignated AA 1995 PTC Series AA)"; by deleting the words "at the offices of the Indenture Trustee at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-1), or at such other location in the United States as the Indenture Trustee may otherwise direct" and substituting therefor the words "to the account of the Loan Trustee at State Street Bank and Trust Company, Boston, Massachusetts, or at such other location in the United States as the Loan Trustee may otherwise direct"; and by inserting at the end of the last sentence thereof the words:"; provided that, with respect to any payment of Basic Rent for which the proceeds will be utilized to pay principal of or interest on any Equipment Notes, if by virtue of such extension the date of payment would fall in the next succeeding calendar month, then such sum shall be payable on the next preceding Business Day".

(e) Section 3(e) of the Lease is amended by deleting the words "the Transaction Costs (as such term is defined in Section 18(a) of the Participation Agreement)" and by substituting the words "the expenses paid by the Owner Participant pursuant to Section 12 of the Refunding Agreement and Section 9(a) of the Participation Agreement (except for any fees and out-of-pocket expenses paid or payable to any financial advisor to the Owner Participant) and such other expenses as the Lessee shall expressly agree in writing constitute "Transaction Costs" hereunder (the "Transaction Costs)"; and by deleting the figure "1.0%" and substituting therefor the figure "1.0088%", and by deleting

therefrom the words "or Section 20, as applicable" and "or Section 20" each time such words appear.

Section 3. Amendment to Section 6 of the Lease. Clause (i) of Section 6 of the Lease is amended in its entirety to read as follows:

"(i) the respective rights of Lessor and Lessee as herein provided, the Lien created under the Trust Indenture, the rights of Lessor under the Purchase Agreement Assignment and the rights of the Owner Participant, the Owner Trustee, the Indenture Trustee, each Loan Participant and the Pass Through Trustee (in its capacity as a Loan Participant and in its capacity as Pass Through Trustee) under the Trust Agreement, the Trust Indenture, the Participation Agreement, the Refunding Agreement, the Pass Through Trust Agreement and the Pass Through Trust Supplements,".

Section 4. Amendment to Section 7 of the Lease. (a) The second sentence of Section 7(a)(i) of the Lease is amended by deleting the words "and 9(n)" and adding after the words "Participation Agreement" the words and "Section 7.02 of the Trust Indenture."

(b) Clause (ix) of Section 7(b) of the Lease is amended by deleting the words "Loan Participants" the first time such words appear and substituting therefor the words "Bank Lenders", and by deleting the words "Loan Participants" each other time such words appear and, in each case, substituting therefor the words "Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes". Clause (ix) of Section 7(b) of the Lease is further amended by inserting in subdivision (d) of such clause (ix) after the words "satisfactory to Lessor" the words ", Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes."

(c) The penultimate proviso to Section 7(b) of the Lease is amended by deleting the words "Section 4.04" and substituting therefor the words "Section 8.03".

(d) Section 7(c) of the Lease is amended by deleting the words "NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE/MORTGAGEE" and substituting therefor "STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE, MORTGAGEE".

Section 5. Amendment to Section 9 of the Lease. Section 9 of the Lease is amended in its entirety to read as follows:

"Section 9. Voluntary Termination. (a) Right of Termination. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option (i) to terminate this Lease at any time on or after the fifth anniversary of the Delivery Date, if in Lessee's good faith determination (evidenced by a certificate of a Responsible Officer of Lessee to such effect) the Aircraft is surplus to Lessee's requirements or economically obsolete to Lessee, and (ii) at any time on or after the eighth anniversary of the Delivery Date to terminate this Lease for any reason whatsoever, in each case by delivering to Lessor a written notice of termination specifying a proposed date of termination (the "Termination Date") which shall be a Business Day occurring not earlier than 90 days after the date of such notice, and, if the Termination Date is a Special Termination Date, whether or not Lessee is thereby electing to purchase the Aircraft on such Special Termination Date as provided in Section 9(e). The termination of this Lease shall, subject to the terms and conditions set forth in this Section 9, be effective on (i) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to sell the Aircraft, as provided below, the date of sale of the Aircraft, if any, referred to in Section 9(b), (ii) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft as provided in Section 9(d), the date of termination referred to in Section 9(d), or (iii) if Lessee has elected to purchase the Aircraft as provided in Section 9(e), the date of purchase referred to in Section 9(e). Where Lessee has not elected to purchase the Aircraft as provided for in Section 9(e), Lessor shall give Lessee irrevocable notice of its election to sell or retain the Aircraft no later than 45 days after Lessor receives the notice from Lessee referred to in the first sentence of this Section 9(a). In the event

Lessor shall fail to give notice pursuant to the immediately preceding sentence, notice of its election to sell the Aircraft shall be deemed to have been given as of such forty-fifth day. Unless Lessor shall have given to Lessee a timely notice of its election to retain the Aircraft as provided in Section 9(d), Lessee (1) shall withdraw such termination notice on the Termination Contract Date if the Person who shall have submitted the highest cash bid notified by Lessee to Lessor or by Lessor or the Owner Participant to Lessee pursuant to Section 9(b) prior to the Termination Contract Date (or, with the consent of Lessor, another person who shall have submitted a bid for the purchase of the Aircraft, acceptable to Lessor and Lessee) shall not have entered into a binding contract of sale on or prior to such Termination Contract Date reasonably acceptable to the Owner Participant providing for the sale by Lessor without recourse or warranty (except as to Lessor's Liens) for cash of the Airframe and the Engines installed thereon to such Person (the "Contract Purchaser") (Lessor hereby agreeing, subject to Lessor's right to retain the Aircraft, promptly to execute and deliver any such contract of sale in the form thereof furnished by Lessee for execution and delivery and Lessee hereby agreeing to consult with the Owner Participant regarding the terms of such contract of sale and to submit the execution form thereof to the Owner Participant a reasonable period of time prior to the Termination Contract Date) and (2) may withdraw the termination notice referred to above at any time on or prior to the third Business Day prior to the Termination Contract Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, on or after the third Business Day prior to the Termination Contract Date, a notice of termination given pursuant to this Section 9(a) or such notice is deemed withdrawn pursuant to the final sentence of Section 9(b), Lessee will reimburse Lessor and the Owner Participant for any reasonable out-of-pocket expenses incurred by them in connection with the proposed sale, except Lessee shall not be obligated to reimburse Lessor or the Owner Participant for any out-of-pocket expenses to the extent Lessor shall have failed to comply with its obligations under this Section 9. Lessee shall not be entitled to exercise its right of termination provided for in this Section 9(a) more than four times during the Term (not including for purposes of this sentence any exercise by Lessee of such right of

termination immediately following a failure of this Lease to be terminated by reason of Lessor's failure to comply with its obligations under this Section 9).

(b) Sale of Aircraft. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected or is deemed to have elected to sell the Aircraft pursuant to Section 9(a), Lessee will have the option of acting as non-exclusive agent for Lessor to obtain bids for the cash purchase on or prior to the Termination Date of the Aircraft. Lessor agrees to pay Lessee a commercially reasonable brokerage fee based on the then current industry practice in the event that Lessee locates the Person who purchases the Aircraft pursuant to this Section 9(b). If Lessee acts as such agent, no later than ten Business Days prior to the Termination Contract Date, Lessee shall certify to Lessor in writing the amount and terms of each cash bid received by Lessee and the name and the address of the Person submitting each such bid. Lessor may (but need not), also, at its expense (which expense, including without limitation any broker's or finder's fees, shall be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Termination Contract Date certify to Lessee in writing the amount and terms of such bid and the name and address of the Person submitting such bid. Neither the Owner Participant, Lessee, nor any Affiliate of either may submit a bid for the Aircraft, directly or indirectly, in connection with such proposed sale. On the Termination Date (or such earlier date of sale as may be agreed to by Lessor and Lessee, which date shall thereafter be deemed the Termination Date), (x) Lessee shall, subject to receipt (i) by Lessor (or, so long as the Trust Indenture shall not have been discharged, the Indenture Trustee) of the full purchase price thereof and all amounts owing to Lessor pursuant to the next sentence and (ii) by the Persons entitled thereto of all unpaid Supplemental Rent due on or before the Termination Date, deliver the Aircraft at a location selected by Lessee to the Contract Purchaser (or such other purchaser acceptable to Lessor and Lessee), in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accor-

dance with the terms of Section 5, and (y) Lessor shall simultaneously therewith sell, without recourse or warranty (except as to Lessor's Liens), for cash all of Lessor's right, title and interest in and to the Aircraft to such Contract Purchaser (or other purchaser). The total selling price realized at such sale shall be retained by Lessor (or, so long as the Trust Indenture shall not have been discharged, distributed by the Indenture Trustee pursuant to the terms of the Trust Indenture) and, in addition, on the Termination Date, Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), an amount equal to (I) the sum of (1) the excess, if any, of (A) the Termination Value for the Aircraft as of the Termination Date, over (B) the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person), plus (2) that amount of interest that will accrue on the principal of all Outstanding Equipment Notes during the period from and including the Termination Date to but excluding the Redemption Date specified in Section 6.01 of the Trust Indenture, plus (3) all Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(b)) other than Termination Value, due and owing on the Termination Date, plus (4) (A) if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), or (B) if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, plus (5) all Basic Rent due and payable prior to the Termination Date and unpaid, less (II) any credit to which Lessee may be entitled as hereinafter in this Section 9(b) provided. Subject always to the provisions of the penultimate paragraph of Section 3(b), if the Termination Date with

respect to which Termination Value is determined is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall be entitled to a credit against the amounts payable by it pursuant to this Section 9(b) in an amount equal to the lesser of (x) the Unearned Advance Basic Rent as of the Termination Date, and (y) the amount, if any, by which the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person) exceeds the Termination Value for the Aircraft as of the Termination Date; provided that, in the event that the amount calculated pursuant to this sentence to be credited exceeds the amounts payable by Lessee pursuant to this Section 9(b), the Owner Participant shall be obligated to rebate an amount equal to such excess to Lessee. If on or prior to the scheduled Termination Date no sale of the Aircraft shall have occurred and if Lessor shall not have elected to retain the Aircraft in accordance with Section 9(d) or Lessee shall not have elected to purchase the Aircraft in accordance with Section 9(e), Lessee's notice given pursuant to Section 9(a) shall be deemed to be withdrawn as of such scheduled Termination Date and this Lease shall continue in full force and effect.

(c) Certain Obligations upon Sale of Aircraft. Upon the sale of the Aircraft pursuant to and in accordance with the provisions of Section 9(b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of the Aircraft under Section 9(b), other than to transfer to the purchaser of the Aircraft (or to such purchaser and to Lessee, as the case may be), without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft against receipt of the payments provided for herein, and to pay the amounts, if any, required to be paid by Lessor under Section 9(b) or

this Section 9(c), and to request the Loan Trustee upon the sale of the Aircraft pursuant to Section 9(b) to execute and deliver to such purchaser (or to such purchaser and to Lessee, as the case may be) an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. Lessor agrees to notify promptly Lessee of the appointment by Lessor of any broker or finder (other than Lessee) in connection with the sale of the Aircraft pursuant to Section 9(b) and, subject to Section 9(b), to pay the fees or commissions of any such broker or finder employed by Lessor in connection with the sale of the Aircraft pursuant to Section 9(b).

(d) Retention of Aircraft by Lessor. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft pursuant to Section 9(a), on the Termination Date specified in Lessee's termination notice, Lessor shall pay, or cause to be paid, to the Loan Trustee in funds of the type specified in Section 3(d), an amount equal to (1) the aggregate outstanding principal amount of the Equipment Notes and all accrued interest thereon, plus (2) that amount of interest that will accrue on the principal of all Outstanding Equipment Notes during the period from and including the Termination Date to but excluding the Redemption Date specified in Section 6.01 of the Trust Indenture, plus (3) all other sums due and payable to the Loan Trustee on such Termination Date under the Trust Indenture, the Participation Agreement or such Equipment Notes. Subject to receipt by the Loan Trustee of such funds, on the Termination Date, (i) Lessee (x) shall deliver the Aircraft to Lessor in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(d)), other than Termination Value, due and owing on the

Termination Date, and, if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, and all Basic Rent due and payable prior to the Termination Date and unpaid, less (B) any credit to which Lessee may be entitled as hereinafter in this Section 9(d) provided, and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe, and (y) shall request the Loan Trustee to execute and deliver to Lessee an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. If the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, subject always to the provisions of the penultimate paragraph of Section 3(b), be entitled to a credit against the amounts payable by it pursuant to this Section 9(d) in an amount equal to the Unearned Advance Basic Rent as of the Termination Date; provided that in the event that the Unearned Advance Basic Rent exceeds the amount payable by Lessee pursuant to this Section 9(d), the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee. If Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) and as a result thereof this Lease shall not be terminated on a proposed Termination Date, Lessor shall thereafter no longer be entitled to exercise its election to retain the Aircraft and Lessee may at its option at any time thereafter

submit a new termination notice pursuant to Section 9(a).

(e) Purchase of Aircraft by Lessee. In the event that Lessee shall have elected to purchase the Aircraft on a Special Termination Date pursuant to Section 9(a), on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greater of (i) the Termination Value for the Aircraft, computed as of the Special Termination Date and (ii) the then fair market sales value of the Aircraft, as determined by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal. On such Special Termination Date, (x) Lessee (i) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all unpaid Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(e)), other than Termination Value, due and owing on such Special Termination Date, all Basic Rent due and payable prior to the Special Termination Date and unpaid and the Basic Rent installment due and payable on the Special Termination Date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) and (ii) at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), the Special Termination Price, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Equipment Notes (including, without limitation, any scheduled payment of principal of or accrued interest on the Equipment Notes due and payable on the Special Termination Date but only to the extent that the Basic Rent installment payable by Lessee pursuant to clause (i) above does not cover such scheduled payment of principal of or accrued interest on the Equipment Notes but excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Termination Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee) in accordance with Section 7.03 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the

type specified in Section 3(d), an amount equal to the excess, if any, of the Special Termination Price over an amount equal to the sum of the principal of and any accrued and unpaid interest on the outstanding Equipment Notes on such Special Termination Date, after taking into account any payments of principal or interest made in respect of the outstanding Equipment Notes on such Special Termination Date, and (y) Lessor will sell to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Equipment Notes as provided for above, Lessor will request the Loan Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(f) Termination of Lease, Etc. Upon the sale or retention or purchase of the Aircraft, as the case may be, in compliance with the provisions of this Section 9, (i) the obligation of Lessee to pay Basic Rent under Section 3(b) on any Lease Period Date occurring subsequent to the applicable Termination Value Determination Date, and (ii) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 10 of the Tax Indemnity Agreement or (y) in respect of liabilities and obligations of Lessee which have accrued under any Operative Document but have not been paid or which are in dispute as of the date of such sale or retention) shall cease as of the Termination Date and, in each case, the Term shall end effective as of the Termination Date.

(g) Termination as to Engines. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option at any time, on at least 60 days' prior written notice, to terminate this Lease with respect to any Engine. In such event, and prior to the date of such termination, Lessee shall

replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine."

Section 6. Amendment to Section 10 of the Lease. (a) The proviso to clause (i) of Section 10(a) of the Lease is amended by adding the words "promptly give notice to Lessor and the Loan Trustee and shall" after the words "then Lessee shall" and by deleting the word "fifteenth" and replacing it with the word "thirtieth".

(b) Clause (ii) of Section 10(a) of the Lease is amended in its entirety to read as follows:

"(ii) on or before the Loss Payment Date (as defined below), Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) the Stipulated Loss Value for the Aircraft, determined as of the Loss Payment Date, plus (B) all Supplemental Rent due and owing on such Loss Payment Date (including, without limitation, Swap Breakage Loss, if any, payable in connection with a redemption of Bank Equipment Notes pursuant to Section 6.01(a) of the Indenture) plus (C) if the Casualty Loss Determination Date with respect to the Stipulated Loss Value is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), plus (D) all Basic Rent due and payable prior to the Casualty Loss Determination Date and unpaid. As used herein, "Loss Payment Date" means the earliest of (x) 30 days following the date on which insurance proceeds are received with respect to such Event of Loss, (y) the Business Day next following the 121st day next following the date of occurrence of the Event of Loss, and (z) an earlier Business Day irrevocably specified by Lessee at least thirty days in advance by notice to Lessor and the Loan Trustee; provided, however, the Loss Payment Date shall be the date specified in the proviso to clause (i) above, if such proviso is applicable."

(c) Clause (C) of the penultimate paragraph of Section 10(a) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C".

(d) Clause (D) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting the words "or advisable" after the word "necessary" in each place where it appears.

(e) Clause (E) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "furnish Lessor" the words ", each Loan Participant". Clause (E) of the penultimate paragraph of Section 10(a) of the Lease is further amended by deleting the word "an" before the words "opinion of counsel" and substituting therefor the words "a favorable".

(f) Clause (F) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "furnish Lessor" the words ", each Loan Participant."

(g) Clause (G) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "as Lessor" the words "or the Indenture Trustee".

(h) Clause (H) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "furnish Lessor" the words ", each Loan Participant". Clause (H) of the penultimate paragraph of Section 10(a) of the Lease is further amended by deleting the words "a reasoned" and substituting therefore the word "an".

(i) The last sentence of the penultimate paragraph of Section 10(a) of the Lease is amended by deleting the words "the Certificate Holders" and substituting therefor the words "the Loan Participants".

(j) Clause (iii) of Section 10(b) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C".

(k) Clause (vi) of Section 10(b) of the Lease is amended by inserting the words "or advisable" after the word "necessary" each time it appears.

## Section 7. Amendment to Section 11 of the Lease.

(a) (i) The fourth sentence of Section 11(a) of the Lease is amended by inserting in subclause (iv) of such fourth sentence after the words "the Owner Participant's" the words "or any Loan Participant's".

(ii) The fourth sentence of Section 11(b) of the Lease is amended by inserting in subclause (iv) of such fourth sentence after the words "the Owner Participant's" the words "or any Loan Participant's".

(iii) The first sentence of Section 11(c) of the Lease is amended by inserting after the words ", the Indenture Trustee" the first time such words appear in such sentence the words ", the Original Loan Participant". The second sentence of Section 11(c) of the Lease is amended by inserting after the words ", the Indenture Trustee" the first time such words appear in such sentence the words ", the Original Loan Participant". The third sentence of Section 11(c) of the Lease is amended by inserting after the words ", the Indenture Trustee" the first time such words appear in such sentence the words ", the Original Loan Participant".

(b) Section 11 of the Lease is amended by adding a new paragraph (e) at the end thereof, reading in its entirety as follows:

"(e) References to Participants. Notwithstanding anything to the contrary contained herein, for purposes of this Section 11, the term 'Loan Participants' shall mean the Pass Through Trustee and each Bank Lender, the term 'Original Loan Participant' shall mean the Pass Through Trustee and each Bank Lender and the term 'Participants' shall mean the Pass Through Trustee, each Bank Lender and the Owner Participant."

Section 8. Amendment to Section 12 of the Lease. Section 12 of the Lease is amended in its entirety to read as follows:

"Section 12. Inspection. At all reasonable times during the Term, but upon at least 5 days' prior written notice to Lessee, Lessor, the Owner Participant, the Initial Bank Lender, the Loan Trustee or the Pass Through Trustee, or their authorized representatives, may at their own expense and risk conduct a visual

walk-around inspection of the Aircraft and any Engine (including a visual walk-around inspection of the Aircraft during any regularly scheduled heavy maintenance visit for the Aircraft conducted by Lessee during the Term) and may inspect the books and records of Lessee relating thereto; provided that (a) such representatives shall be fully insured to the reasonable satisfaction of Lessee by Lessor, the Owner Participant, the Initial Bank Lender, the Loan Trustee or the Pass Through Trustee, as the case may be, with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by Lessor, the Owner Participant, the Loan Trustee, each Bank Lender and the Pass Through Trustee and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom the Owner Participant, the Loan Trustee, any Bank Lender or the Pass Through Trustee is in good faith conducting negotiations relating to the possible transfer and sale of its interest in the Aircraft, if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. Lessee will, upon the request of Lessor at any time, notify Lessor of the time and location of the next scheduled heavy maintenance visit to be conducted by Lessee in respect of the Aircraft; provided that Lessee shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified Lessor pursuant to this sentence, Lessee hereby agreeing to use reasonable efforts to notify Lessor of any such rescheduling or change. None of the Lessor, the Pass Through Trustee, the Loan Trustee, any Bank Lender or the Owner Participant shall have any duty to make any such inspection or incur any liability or obliga-

tion by reason of not making any such inspection. No inspection pursuant to this Section 12 shall relieve Lessee of any of its obligations under this Lease. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of Lessee's business, and Lessee shall not be required to undertake or incur any additional liabilities in connection therewith."

Section 9. Amendment to Section 14 of the Lease. Section 14(a) of the Lease is amended by inserting after the words "Basic Rent," the words "Make Whole Amount, Swap Breakage Loss,". Section 14(a) of the Lease is further amended by inserting after the words "by Lessor" the words "or the Indenture Trustee".

Section 10. Amendment to Section 15 of the Lease. (a) Section 15(c) of the Lease is amended by deleting the term "Assumed Debt Rate" and substituting therefor "Average Certificate Rate".

(b) The first sentence of the last paragraph of Section 15 of the Lease is amended by deleting the remainder of the sentence following the words "responsibility or liability" and substituting therefor the words "for any Make Whole Amount or any Swap Breakage Loss payable to the Loan Participants as a result of a redemption or purchase of the Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of Lessee or an Indenture Default that does not also constitute an Event of Default".

Section 11. Amendment to Section 16 of the Lease. Section 16 of the Lease is amended by inserting in the third sentence thereof after the words "is in effect," the words "to the extent permitted by applicable law,". Section 16 of the Lease is further amended by inserting at the end thereof the following additional sentence: "In furtherance of the foregoing, Lessor and Lessee hereby confirm their joint intent that this Lease is to be treated as a lease for Federal income tax purposes."

Section 12. Amendment to Section 18 of the Lease. Clause (ii) of the first sentence of Section 18 of the Lease is amended in its entirety to read "if to Lessor, to Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1992 AF-1) (redesignated AA 1995 PTC Series AA)", and

clause (iv) of the first sentence of Section 18 of the Lease is amended in its entirety to read "(iv) if to the Loan Trustee, to 750 Main Street, Hartford, Connecticut 06103 Attention: Corporate Trust Department, or such other address as the Loan Trustee shall from time to time designate in writing to Lessor and Lessee."

Section 13. Amendment to Section 19 of the Lease. Section 19 of the Lease is amended by deleting the words "the penultimate sentence of Section 3(c)" in each place where such words appear and substituting therefor the words "the final sentence of Section 3(c)".

Section 14. Amendment to Section 20 of the Lease. Section 20(b) of the Lease is amended by deleting the words "July 2, 2012" in the first sentence and substituting therefor the words "July 2, 2010"; by deleting the words "Break Amount, if any, and substituting therefor the words "Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption (or purchase in lieu of redemption) of the Pass Through Equipment Notes and Bank Equipment Notes, respectively, resulting from a termination of the Lease under this Section 20(b)"; and by deleting the words "Section 2.16" and substituting therefor the words "Section 7.01"; and by deleting the words "(except that such unpaid interest, for purposes of this Section 20(b), shall be deemed to have accrued at the Assumed Debt Rate)".

Section 15. Amendment to Section 25 of the Lease. Section 25 of the Lease is amended by deleting the word "3.07" and substituting therefor the word "9.03".

Section 16. Effectiveness of Amendments. The amendments to the Lease set forth in Sections 1 through 14 hereof shall become effective as of the Closing (as such term is defined in the Refunding Agreement).

Section 17. Ratification. Except as amended hereby, the Lease shall remain in full force and effect.

Section 18. Miscellaneous. THIS LEASE AMENDMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. This Lease Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered,

subject to Section 22 of the Lease and the next sentence of this paragraph, shall be an original, but all of which counterparts together shall constitute but one and the same instrument. To the extent, if any, that the Lease or this Lease Amendment constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in the Lease or in this Lease Amendment may be created through the transfer or possession of any counterpart, other than the original counterpart, which shall be identified as the counterpart containing on the signature page thereof the receipt therefor executed by the Loan Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

WILMINGTON TRUST COMPANY

By \_\_\_\_\_

Name:

Title:

AT&T CREDIT HOLDING, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION)

By \_\_\_\_\_

Name:

Title:

Receipt of this original counterpart of the foregoing Lease Amendment is hereby acknowledged on this 15th day of June, 1995.

STATE STREET BANK AND TRUST COMPANY  
OF CONNECTICUT, NATIONAL  
ASSOCIATION, LOAN TRUSTEE

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

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LEASE AGREEMENT  
(AA 1992 AF-2)

Dated as of July 1, 1992

between

WILMINGTON TRUST COMPANY,

not in its individual  
capacity except as expressly  
stated herein, but solely  
as Owner Trustee, Lessor

and

AMERICAN AIRLINES, INC.,

Lessee

One Boeing 767-323ER Aircraft

N7375A

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CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 AF-2), DATED AS OF THE DATE HEREOF, BETWEEN WILMINGTON TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 AF-2), DATED AS OF THE DATE HEREOF, FOR THE BENEFIT OF THE HOLDERS OF THE CERTIFICATES REFERRED TO IN SUCH TRUST INDENTURE AND SECURITY AGREEMENT. THIS LEASE AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. TO THE EXTENT, IF ANY, THAT THIS LEASE CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION) NO SECURITY INTEREST IN THIS LEASE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN THE ORIGINAL. THE COUNTERPART TO BE DEEMED THE ORIGINAL SHALL BE THE COUNTERPART THAT CONTAINS THE RECEIPT THEREFOR EXECUTED BY NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF AND NO SECURITY INTEREST IN THIS LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OF ANY COUNTERPART OTHER THAN SAID ORIGINAL COUNTERPART. SEE SECTION 22 FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

THIS IS NOT THE ORIGINAL COUNTERPART.

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LEASE AGREEMENT  
(AA 1992 AF-2)

This LEASE AGREEMENT (AA 1992 AF-2), dated as of July 1, 1992, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly stated herein, but solely as Owner Trustee under the Trust Agreement (as defined in Section 1) and its permitted successors and assigns ("Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation with its principal place of business at Dallas/Fort Worth International Airport, Texas 75261-9616 and its permitted successors and assigns ("Lessee"),

W I T N E S S E T H:

Section 1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease Agreement and shall be equally applicable to both the singular and the plural forms of the terms herein defined:

"Accrued Arrears Basic Rent" means, for any period of days within a Lease Period, the amount determined by multiplying the portion, if any, of the Basic Rent installment for such Lease Period designated in Exhibit A-1 to the Rent Schedule as being payable in arrears by a fraction, the numerator of which shall be the actual number of days in such period and the denominator of which shall be the actual number of days in such Lease Period.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aircraft" means the Airframe delivered and leased hereunder, together with the two Engines described in the Lease Supplement relating to the Airframe (or any Replacement Engine substituted for any Engine hereunder), whether or not any of such initial or substituted Engines

may from time to time be installed on such Airframe or may be installed on any other airframe or on any other aircraft. The term "Aircraft" shall include any Replacement Aircraft.

"Airframe" means (i) the Boeing 767-323ER aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N7375A and Manufacturer's Serial Number 25202, and leased hereunder by Lessor to Lessee under a Lease Supplement; and (ii) any and all Parts so long as the same shall be incorporated or installed in or attached to such aircraft, or so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 after removal from such aircraft. The term "Airframe" shall include any Replacement Airframe substituted pursuant to Section 10(a). Except as otherwise set forth herein, at such time as a Replacement Airframe shall be so substituted and the Airframe for which the substitution is made shall be released from the lien of the Trust Indenture, such replaced Airframe shall cease to be an Airframe hereunder.

"Assumed Debt Rate" means a rate of interest of 9.25% per annum, payable January 9, 1993, and semiannually thereafter, computed on the basis of a 360-day year of twelve 30-day months.

"Base Lease Commencement Date" means January 9, 1993.

"Base Lease Expiration Date" means July 9, 2017.

"Base Rate" means a fluctuating rate equal to the rate per annum announced publicly by The Chase Manhattan Bank, National Association, from time to time as its base rate.

"Basic Rent" for the Aircraft means the rent payable for the Aircraft pursuant to Section 3(b), as the same may be adjusted pursuant to Section 3(e), or, during any Renewal Term, the rent payable for the Aircraft pursuant to Section 20(a).

"Bills of Sale" has the meaning set forth in the Participation Agreement.

"Break Amount" has the meaning set forth in the Trust Indenture.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York, Fort Worth, Texas, the city and state in which the principal corporate trust office of the Owner Trustee is located, or, so long as any Certificate is outstanding, the city and state in which the principal corporate trust office of the Indenture Trustee is located; provided, however, that for all purposes in respect of determining the LIBOR Rate (as defined in the Indenture), "Business Day" shall also exclude days on which normal dealings in dollar deposits in the London interbank market are not carried on.

"Casualty Loss Determination Date" for the Aircraft means each of the dates specified in Exhibit B to the Rent Schedule which is the same as or immediately precedes a Loss Payment Date on which Stipulated Loss Value is payable with respect to the Aircraft.

"Certificate" has the meaning set forth in the Trust Indenture.

"Change in Tax Law" means a change, amendment, modification, addition or deletion in or to the Code, any regulation thereunder (whether proposed, temporary or final) or any Internal Revenue Service Revenue Rulings or Revenue Procedures.

"Claims" means any and all liabilities, obligations, losses, damages, penalties, claims, actions or suits of whatsoever kind and nature (whether or not on the basis of negligence, strict or absolute liability or liability in tort), including all costs, disbursements and expenses (including reasonable legal fees and expenses).

"Code" means the Internal Revenue Code of 1986, as amended and in effect on the Delivery Date.

"Debt Rate" has the meaning set forth in Section 2.01 of the Trust Indenture.

"Delivery Date" means the date of the Lease Supplement covering the Aircraft, which date shall be the date the Aircraft is accepted by Lessor and leased to and accepted by Lessee hereunder.

"Engine" means (i) each of the two General Electric CF6-80C2B6 engines listed by manufacturer's serial numbers in the Lease Supplement relating to the Airframe whether or not from time to time installed on the Airframe or installed on any other airframe or on any other aircraft and (ii) any Replacement Engine which may from time to time be substituted pursuant to Section 5(b), 9(g), 10(a) or 10(b) for an Engine leased hereunder; together in each case with any and all Parts incorporated or installed in or attached thereto or any and all Parts removed therefrom so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted and the Engine for which substitution is made shall be released from the lien of the Trust Indenture, such replaced Engine shall cease to be an Engine hereunder. The term "Engines" means, as of any date of determination, all Engines then leased hereunder.

"Event of Default" has the meaning specified in Section 14.

"Event of Loss" with respect to any property means any of the following events with respect to such property: (i) loss of such property or the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or constructive total loss; (iii) the condemnation, confiscation or seizure of, or requisition of title to, or use of, such property (other than (x) a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit of such government) that shall not have extended more than one year beyond the end of the Term, unless Lessee shall have declared an Event of Loss pursuant to Section 10(d), (y) a requisition for use by any other Government that shall not have extended beyond the end of the Term or (z) a requisition for use by the government (other than a Government) of the country of

registry of the Aircraft or any instrumentality or agency thereof which shall not have resulted in a loss of possession of the Aircraft for a period in excess of six consecutive months and shall not have extended beyond the end of the Term); (iv) as a result of any rule, regulation, order or other action by the Federal Aviation Administration, the Department of Transportation or other governmental body of the United States of America or other country of registry having jurisdiction, the use of such property in the normal course of air transportation of persons shall have been prohibited for a period of six consecutive months, unless Lessee, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by Lessee or, in any event, if such use shall have been prohibited for a period of twelve consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by the Government in any area excluded from coverage by any insurance policy in effect with respect to the Aircraft required by the terms of Section 11, unless the requisition for use shall have been made by a Government and Lessee shall have obtained indemnity in lieu thereof from a Government pursuant to Section 11; provided that, in the case of an event described in clause (i), (iii) or (v), if such property shall be returned to Lessee in usable condition prior to the Loss Payment Date, and, for so long as any Certificates remain outstanding, prior to the date on which notice of payment of the Certificates is given pursuant to Section 2.14 of the Trust Indenture, then such event shall, at the option of Lessee, not constitute (or be deemed to be within the definition of) an Event of Loss. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"Excepted Property" has the meaning set forth in the Trust Indenture.

"Excess Payment Amount" has the meaning set forth in Section 16(a) of the Participation Agreement.

"Excess Payment Differential Amount" has the meaning set forth in Section 16(a) of the Participation Agreement.

"Federal Aviation Act" means the Federal Aviation Act of 1958, as amended.

"Government" means the government of any of the United States of America, Canada, France, the Federal Republic of Germany, Japan, The Netherlands, Sweden, Switzerland and the United Kingdom and any instrumentality or agency of any thereof, except that for purposes of the definition of "Event of Loss", the final sentence of Section 7(a), and Section 11, those instrumentalities and agencies included within the definition of "Government" shall be instrumentalities and agencies whose obligations bear the full faith and credit of the applicable government listed above.

"Indenture Default" has the meaning set forth in the Trust Indenture.

"Indenture Estate" has the meaning set forth in the Trust Indenture.

"Indenture Event of Default" has the meaning set forth in the Trust Indenture.

"Indenture Trustee" means NationsBank of Georgia, National Association, and each other Person which may from time to time be acting as indenture trustee under the Trust Indenture.

"Independent Appraisal" means an appraisal mutually agreed to by two nationally recognized independent aircraft appraisers, one of which appraisers shall be chosen by Lessor and one by Lessee, or, if such appraisers cannot agree on such appraisal, an appraisal arrived at by a third independent aircraft appraiser chosen by the mutual consent of such two appraisers, provided that, if either party shall fail to appoint an appraiser within 15 days after a written request to do so by the other party, or if such two appraisers cannot agree on such appraisal and fail to appoint a third appraiser within 20 days after the date of the appointment of the second of such appraisers, then either party may apply to the American Arbitration Association to make such appointment. In the event such third independent appraiser shall be chosen to provide such appraisal, unless the parties agree otherwise, such appraisal shall be required to be made within 20 days of such appointment. An "Independent Appraisal" of the fair market rental value or fair market sales value of the Aircraft shall mean an appraisal which assumes that the sale or lease transaction would be an arm's-length

transaction between an informed and willing lessee or buyer, as the case may be, under no compulsion to lease or buy, as the case may be, and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, and assumes that the Aircraft is unencumbered by this Lease or any renewal or purchase option hereunder and is in the condition required hereby; provided that an Independent Appraisal undertaken pursuant to Section 15 shall value the Aircraft on an "as-is, where-is" basis. The fees and expenses of appraisers for an Independent Appraisal, whenever undertaken pursuant to this Lease, shall be borne equally by Lessor and Lessee and each shall separately bear any fees, costs and expenses of its respective attorneys and experts (other than the appraisers referred to above) incurred in connection with such Independent Appraisal, except that the costs of an Independent Appraisal undertaken pursuant to Section 15 shall be for the account of Lessee.

"Interests" has the meaning set forth in Section 11(a).

"Interim Period" means the period from the Delivery Date to and including the day prior to the Base Lease Commencement Date.

"Lease Agreement", "this Lease Agreement", "this Lease", "this Agreement", "herein", "hereunder", "hereby" or other like words mean this Lease Agreement (together with the Rent Schedule, except in the case of any reference to this Lease Agreement as filed with the Federal Aviation Administration) as originally executed or as modified, amended or supplemented pursuant to the applicable provisions hereof and in accordance with the Trust Indenture, including, without limitation, supplementation hereof by one or more Lease Supplements entered into pursuant to the applicable provisions hereof.

"Lease Period" for the Aircraft means (i) the Interim Period and (ii) each of forty-nine consecutive semi-annual periods throughout the Term, the first such semi-annual period commencing on and including the Base Lease Commencement Date and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than the last such date).

"Lease Period Date" means the Base Lease Commencement Date and each succeeding January 9 and July 9, to and including July 9, 2017.

"Lease Supplement" means the Lease Supplement, substantially in the form of Exhibit A hereto, to be entered into between Lessor and Lessee for the purpose of leasing the Aircraft under and pursuant to the terms of this Lease, and any other Lease Supplement entered into subsequent to the Delivery Date.

"Lessor's Cost" for the Aircraft has the meaning set forth in the Rent Schedule.

"Lessor's Lien" means any Lien or disposition of title affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or in this Lease arising as a result of (i) claims against or affecting Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant not related to the transactions contemplated by this Lease or the Participation Agreement, or (ii) any act or omission of Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant not related to the transactions contemplated by this Lease or the Participation Agreement or not permitted under this Lease or the Participation Agreement, or (iii) Taxes or Claims imposed against Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant which are not indemnified against by Lessee pursuant to the Participation Agreement or the Tax Indemnity Agreement, or (iv) claims against or affecting Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant arising out of the transfer by Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant of any of their respective interests in the Aircraft (including, without limitation, by means of granting a security interest therein other than the lien of the Trust Indenture), other than a transfer of its interest in the Aircraft pursuant to Section 9, 10, 15 or 20 hereof.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Loan Certificate" or "Certificate" has the meaning set forth in the Trust Indenture.

"Loan Participant" means the Original Loan Participant, so long as it is the holder of a Loan Certificate, and any Permitted Transferee, so long as it is the holder of a Loan Certificate.

"Loan Participant Liens" means Liens affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or in this Lease or the Trust Estate or the Indenture Estate or any interest therein as a result of (i) claims against any Loan Participant not related to the transactions contemplated by the Operative Documents and (ii) acts or omissions of any Loan Participant not related to the transactions contemplated by the Operative Documents or not permitted under this Lease, the Participation Agreement or the Trust Indenture.

"Loss Payment Date" has the meaning set forth in Section 10(a).

"Manufacturer" means The Boeing Company, a Delaware corporation, and its successors and assigns.

"Manufacturer's Subsidiary" means Boeing Sales Corporation, a Guam corporation and a wholly-owned subsidiary of the Manufacturer, and its successors and assigns.

"Mortgage Convention" means the Convention on the International Recognition of Rights in Aircraft as in effect on the date hereof or as hereafter amended, modified or supplemented.

"Operative Documents" means this Agreement, each Lease Supplement, the Participation Agreement, the Trust Indenture, the Certificates, each Trust Agreement and Indenture Supplement, the Trust Agreement, the Bills of Sale, the Purchase Agreement Assignment and the Tax Indemnity Agreement.

"Original Loan Participant" means ABN AMRO Bank N.V., Houston Agency.

"Overdue Rate" means (a) with respect to the portion of any payment of Rent that would be required to be distributed to the Loan Participants or the Indenture Trustee pursuant to the terms of the Trust Indenture, the Past Due Rate as defined in the Trust Indenture and (b) with respect to the portion of any payment of Rent

that would be required to be distributed to Lessor pursuant to the terms of the Trust Indenture or would be payable directly to Lessor, the Owner Participant or the Owner Trustee in its individual capacity, the lesser of 2% over the Base Rate and the maximum interest rate from time to time permitted by law.

"Owner Participant" means AT&T Credit Corporation, a Delaware corporation, and any other Person or Persons to which the Owner Participant transfers its right, title and interest in and to the Trust Agreement, the Trust Estate and the Participation Agreement, in accordance with Article VIII of the Trust Agreement and Section 16(c) of the Participation Agreement, and their respective permitted successors and assigns.

"Owner Participant's Net Economic Return" has the meaning set forth in Section 15(a) of the Participation Agreement.

"Owner Participant's Revised Net Economic Return" has the meaning set forth in Section 15(a) of the Participation Agreement.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Trust Agreement and this Agreement.

"Participant" means each of the Owner Participant and any Loan Participant.

"Participation Agreement" means the Participation Agreement (AA 1992 AF-2), dated as of the date hereof, between Lessee, the Original Loan Participant, the Indenture Trustee, the Owner Participant and Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee), as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than (i) complete Engines or engines, (ii) any items leased by Lessee from a third party (other than items leased hereunder by Lessee from Lessor) and (iii) cargo containers that were not made

solely for use on the Aircraft), which may from time to time be incorporated or installed in or attached to the Airframe or any Engine or which have been removed therefrom but as to which title remains vested in Lessor in accordance with Section 8 hereof.

"Permitted Air Carrier" has the meaning set forth in Section 7(b)(i).

"Permitted Investment" means each of (i) direct obligations of the United States of America, and agencies thereof; (ii) obligations fully guaranteed by the United States of America; (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the states thereof having combined capital and surplus and retained earnings of at least \$300,000,000 (including Lessor in its individual capacity or the Indenture Trustee in its individual capacity if such conditions are met); (iv) commercial paper of any holding company of a bank, trust company or national banking association described in clause (iii); (v) bearer note deposits with, or certificates of deposit issued by, or promissory notes of, any subsidiary incorporated under the laws of Canada (or any province thereof) of any bank, trust company or national banking association described in clause (iii), (viii) or (ix); (vi) commercial paper of companies having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to the highest rating assigned by such organization; (vii) U.S. dollar-denominated certificates of deposit issued by, or time deposits with, the European subsidiaries of (a) any bank, trust company or national banking association described in clause (iii), or (b) any other bank described in clause (viii) or (ix), having the highest rating assigned by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (viii) U.S.-issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by, any bank having combined capital and surplus and retained earnings of at least \$300,000,000 and headquartered in Canada, Japan, the

United Kingdom, France, the Federal Republic of Germany, Switzerland or The Netherlands, having the highest rating assigned by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (ix) U.S. dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earnings of at least \$300,000,000, having the highest rating assigned by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (x) Canadian Treasury Bills fully hedged to U.S. dollars; (xi) repurchase agreements with any financial institution having combined capital and surplus and retained earnings of at least \$150,000,000 (including Lessor in its individual capacity or the Indenture Trustee in its individual capacity if such conditions are met) collateralized by transfer of possession of any of the obligations described in clauses (i) through (x) above; (xii) bonds, notes or other obligations of any state of the United States of America, or any political subdivision of any such state, or any agencies or other instrumentalities of any such state, including, but not limited to, industrial development bonds, pollution control revenue bonds, public power bonds, housing bonds, other revenue bonds or any general obligation bonds, provided further that, at the time of their purchase, such obligations are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at any time, by any nationally recognized rating organization in the United States of America); provided that, at the time of their purchase, no such obligations shall have a term to maturity in excess of two years; or (xiii) bonds or other debt instruments of any company, if such bonds or other debt instruments, at the time of their purchase, are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at such time, by any nationally recognized rating organization in the United States of America); provided that, at the time of their purchase, no such obligations or instruments shall have a term to maturity in excess of two years.

"Permitted Liens" means Liens referred to in clauses (i) through (vii) of Section 6.

"Permitted Transferee" has the meaning set forth in the Participation Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Prepaid Rent" has the meaning set forth in Section 3(f).

"Purchase Agreement" means the Purchase Agreement, dated as of June 23, 1989, between the Manufacturer and Lessee (as heretofore amended, modified and supplemented), providing, among other things, for the manufacture and sale by the Manufacturer to Lessee (or to financing entities designated by Lessee) of certain Boeing Model 767 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment (AA 1992 AF-2), dated as of the date hereof, between Lessee and Lessor, pursuant to which Lessee assigns to Lessor certain of Lessee's rights and interests under the Purchase Agreement with respect to the Aircraft, which Purchase Agreement Assignment has annexed thereto, and which defined term shall be deemed to include, a Consent and Agreement thereto executed by the Manufacturer and an Agreement of Subsidiary executed by the Manufacturer's Subsidiary, all as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof and of the other Operative Documents.

"Reimbursement Amount" has the meaning set forth in Section 3(f).

"Renewal Term" has the meaning set forth in Section 20(a).

"Renewal Term Rate" has the meaning set forth in the Rent Schedule.

"Rent" means Basic Rent and Supplemental Rent, collectively.

"Rent Schedule" means the Rent Schedule (AA 1992 AF-2), dated as of the date hereof, between Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee, as originally executed or as modified, amended or supplemented pursuant to the applicable provisions of the Operative Documents.

"Replacement Aircraft" means the Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" means a Boeing 767-300 aircraft or a comparable or improved model of such aircraft of the Manufacturer (except Engines or engines from time to time installed thereon) which shall have been leased hereunder pursuant to Section 10(a), together with all Parts relating to such aircraft.

"Replacement Engine" means a General Electric CF6-80C2B6 engine (or an engine of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine leased hereunder) which shall have been leased hereunder pursuant to Section 5(b), 9(g), 10(a) or 10(b), together with all Parts relating to such engine.

"Responsible Officer" means, with respect to Lessee, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer or any other management employee (a) whose power to take the action in question has been authorized, directly or indirectly, by the Board of Directors of Lessee, (b) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (c) whose responsibilities include the administration of the transactions and agreements, including this Lease, contemplated by the Participation Agreement and the other Operative Documents.

"Special Purchase Option Date" has the meaning set forth in Section 20(b).

"Special Purchase Price" has the meaning set forth in Section 20(b).

"Special Purchase Price Percentage" has the meaning set forth in the Rent Schedule.

"Special Termination Date" has the meaning set forth in the Rent Schedule.

"Special Termination Price" has the meaning set forth in Section 9(e).

"Stipulated Loss Value" payable with respect to an Event of Loss for the Aircraft means (i) the amount determined by multiplying Lessor's Cost for the Aircraft by the Stipulated Loss Value Percentage set forth in Exhibit B to the Rent Schedule opposite the Casualty Loss Determination Date next preceding the Loss Payment Date (or, if the Loss Payment Date occurs on a Casualty Loss Determination Date, by the Stipulated Loss Value Percentage set forth opposite such Casualty Loss Determination Date), as such percentage may be adjusted as provided below, plus (ii) an amount equal to the interest accruing on the outstanding Certificates for the period from and including such Casualty Loss Determination Date to but excluding the Loss Payment Date for the Aircraft, plus (iii) an amount equal to the interest accruing on the Equity Portion (as defined in the next sentence) at the Base Rate for the period from and including such Casualty Loss Determination Date to but excluding such Loss Payment Date; provided that during any Renewal Term, "Stipulated Loss Value" shall be determined as provided in Section 20. For purposes of the preceding sentence, the term "Equity Portion" shall mean an amount equal to the excess, if any, of the amount calculated pursuant to clause (i) of such preceding sentence over the aggregate unpaid principal of, and the aggregate unpaid accrued interest on, the outstanding Certificates as of such Casualty Loss Determination Date. Anything contained herein or in the Participation Agreement to the contrary notwithstanding, Stipulated Loss Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e) or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee hereunder in connection with such Event of Loss (other than Supplemental Rent payable in respect of the Break Amount, if any, and amounts other than principal or interest owing to the holders of Certificates under the Trust Indenture in connection with such Event of Loss), will be at least sufficient to pay in full as of the date of the payment thereof

the aggregate unpaid principal of the outstanding Certificates together with all unpaid interest thereon accrued to the date on which such payment is paid in accordance with the terms hereof. The Stipulated Loss Value Percentages set forth in Exhibit B to the Rent Schedule have been computed on the assumption that each Certificate will bear interest throughout the term at the Assumed Debt Rate for such Certificate. To the extent that the aggregate amount of interest payable on the Certificates from and including the Lease Period Date next preceding a Casualty Loss Determination Date to but excluding such Casualty Loss Determination Date is greater or less than the amount included in calculating the Stipulated Loss Value Percentage set forth in Exhibit B to the Rent Schedule with respect to such Casualty Loss Determination Date on account of such Assumed Debt Rate, such percentage shall be increased or decreased to compensate for such differential.

"Supplemental Rent" means all amounts, liabilities and obligations (other than Basic Rent) which Lessee assumes or is obligated or agrees to pay hereunder, under the Participation Agreement, the Tax Indemnity Agreement, the Lease Supplement, the Purchase Agreement Assignment or the Bills of Sale (or under any other agreement of Lessee expressly providing that amounts, liabilities and obligations which Lessee assumes or is obligated or agrees to pay thereunder shall be Supplemental Rent) to Lessor or others, including, without limitation, payments of Stipulated Loss Value, Termination Value and amounts calculated with reference thereto and Break Amount, if any, payable in accordance with Section 3(c) hereof.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement (AA 1992 AF-2), dated as of the date hereof, between Lessee and the Owner Participant.

"Taxes" has the meaning set forth in Section 7(c) of the Participation Agreement.

"Term" means the term for which the Aircraft is leased pursuant to Section 3(a) hereof and Section (iii) of the Lease Supplement relating to the Aircraft except that, during any Renewal Term, "Term" shall also mean such Renewal Term, as specified in Section 20(a).

"Termination Date" has the meaning set forth in Section 9(a).

"Termination Value" for the Aircraft as of any date of determination means the amount determined by multiplying Lessor's Cost for the Aircraft by the Termination Value Percentage set forth in Exhibit C to the Rent Schedule opposite the Termination Value Determination Date next preceding such date of determination (or, if such date of determination is a Termination Value Determination Date, by the Termination Value Percentage set forth opposite such Termination Value Determination Date) as such percentage may be adjusted as provided below, provided that during any Renewal Term, "Termination Value" shall be determined as provided in Section 20. "Termination Value" for the Airframe or any Engine as of any date of determination means a portion of the Termination Value for the Aircraft, computed as of such date of determination, which bears the same ratio to such Termination Value for the Aircraft as the original cost (as reasonably determined by Lessor after consultation with Lessee and the Manufacturer) to Lessor of the Airframe or such Engine bears to Lessor's Cost for the Aircraft. Anything contained herein or in the Participation Agreement to the contrary notwithstanding, Termination Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e) or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee hereunder in connection with such Lease termination (other than Supplemental Rent payable in respect of the Break Amount, if any, and amounts other than principal or interest owing to the holders of Certificates under the Trust Indenture in connection with such Lease termination), will be at least sufficient to pay in full as of the date of the payment thereof the aggregate unpaid principal of the outstanding Certificates together with all unpaid interest thereon accrued to the date on which such payment is paid in accordance with the terms hereof. The Termination Value Percentages set forth in Exhibit C to the Rent Schedule have been computed on the assumption that each Certificate will bear interest throughout the term at the Assumed Debt Rate for such Certificate. To the extent that the aggregate amount of interest payable on the Certificates from and including the Lease Period Date next preceding a Termination Value Determination Date to but excluding such Termination Value Determination Date is greater or less than the amount included in calculating the Termination Value Percentage set forth in Exhibit C to the Rent Schedule with respect to such Termination Value Determination Date on account of such Assumed Debt Rate,

such percentage shall be increased or decreased to compensate for such differential.

"Termination Value Determination Date" means each of the dates specified in Exhibit C to the Rent Schedule which is the same as or immediately precedes the date with respect to which Termination Value is to be determined.

"Transaction Costs" has the meaning set forth in Section 18(a) of the Participation Agreement.

"Trust Agreement" means the Trust Agreement (AA 1992 AF-2), dated as of the date hereof, between the Owner Participant and Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee), as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof and in accordance with the other Operative Documents, including, without limitation, supplementation thereof by one or more Trust Agreement and Indenture Supplements entered into pursuant to the applicable provisions of such Trust Agreement and of the other Operative Documents.

"Trust Agreement and Indenture Supplement" means a supplement to the Trust Indenture and to the Trust Agreement, substantially in the form of Exhibit A to the Trust Indenture.

"Trust Estate" has the meaning specified in the Trust Agreement.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of the date hereof, between Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee) and the Indenture Trustee, as originally executed or as modified, amended or supplemented by one or more Trust Agreement and Indenture Supplements or indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

"Trustee's Liens" has the meaning specified in Section 5.04 of the Trust Indenture.

"Unearned Advance Basic Rent" means, as of any date of determination, the amount determined by multiply-

ing the portion, if any, of the Basic Rent installment for the Lease Period in which such date of determination occurs designated in Exhibit A-1 to the Rent Schedule as having been payable in advance by a fraction, the numerator of which shall be the actual number of days in the period from and including such date of determination to but excluding the last day of such Lease Period, and the denominator of which shall be the actual number of days in such Lease Period.

Section 2. Acceptance and Leasing of Aircraft. Lessor hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 4 of the Participation Agreement) to accept delivery of, and simultaneously to lease to Lessee hereunder, and Lessee hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 11 of the Participation Agreement) to lease from Lessor hereunder, the Aircraft, as evidenced by the execution by Lessor and Lessee of a Lease Supplement covering the Aircraft. Lessor shall authorize one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to accept delivery of the Aircraft pursuant to the Participation Agreement. Lessee hereby agrees to deliver the Aircraft within the United States to Lessor, and Lessor hereby authorizes one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to ultimately deliver the Aircraft outside the United States within one year after the date of the acceptance of delivery of the Aircraft from Lessee under the Participation Agreement, as contemplated by Section 5(d) of the Tax Indemnity Agreement. Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives on behalf of Lessor shall, without further act, irrevocably constitute acceptance by Lessee of the Aircraft for all purposes of this Lease.

Section 3. Term and Rent. (a) Term. Except as otherwise provided herein, the Term for the lease of the Aircraft hereunder shall commence on the Delivery Date and end on the Base Lease Expiration Date.

(b) Basic Rent. Lessee hereby agrees to pay Lessor Basic Rent for the Aircraft throughout the Term in consecutive semiannual installments payable on each Lease Period Date commencing on the Base Lease Commencement Date. Each such installment of Basic Rent in respect of

the Aircraft shall be in an amount determined by multiplying Lessor's Cost by the Basic Rent percentage set forth in Exhibit A to the Rent Schedule for the applicable Lease Period Date.

Although the Basic Rent percentages set forth in Exhibit A to the Rent Schedule have been computed on the assumption that each Certificate will bear interest at the Assumed Debt Rate for such Certificate throughout the Term, Lessor and Lessee recognize that the actual rate of interest on each Certificate may be a rate from time to time which may be greater or less than the Assumed Debt Rate for such Certificate and that the related basis upon which interest on the Certificates will be computed will be as provided in the Trust Indenture. Accordingly, each installment of Basic Rent shall be increased or decreased, as the case may be, by an amount (the "Rent Differential Amount") equal to, as of any Lease Period Date on which Basic Rent is payable, the difference between (i) the aggregate amount of interest actually due and payable on such Lease Period Date on the Certificates for the period from and including the Lease Period Date next preceding such Lease Period Date to but excluding such Lease Period Date, determined as provided in the Trust Indenture, and (ii) the aggregate amount of interest on the Certificates that would have been due and payable on such Lease Period Date if each Certificate had borne interest at the Assumed Debt Rate for such Certificate for the period from and including the Lease Period Date next preceding such Lease Period Date to but excluding such Lease Period Date. If, as of any Lease Period Date on which Basic Rent is payable, the amount determined in accordance with clause (i) of the immediately preceding sentence shall be greater than the amount determined in accordance with clause (ii) of such sentence, the amount of Basic Rent payable on such Lease Period Date shall be increased by the Rent Differential Amount. If, as of any Lease Period Date on which Basic Rent is payable, the amount determined in accordance with such clause (ii) shall be greater than the amount determined in accordance with such clause (i), the amount of Basic Rent due on such Lease Period Date shall be decreased by the Rent Differential Amount. The interest actually accruing with respect to the Certificates shall be as specified by the notification to be delivered by the Indenture Trustee to Lessor, Lessee and the Owner Participant as provided in Section 1(c) of the Participation Agreement.

Anything contained herein or in the Participation Agreement to the contrary notwithstanding, each installment of Basic Rent (both before and after any adjustment pursuant to Section 3(e), or any deduction pursuant to Section 3(f)), as well as the amount of any Prepaid Rent paid pursuant to Section 3(f), together with any payment made by the Owner Participant under Section 16(a) of the Participation Agreement, shall be, under any circumstances and in any event, in an amount at least equal to, as of the due date of such installment, or Base Lease Commencement Date, as the case may be, the amount of principal of and interest on the Certificates required to be paid by Lessor pursuant to the Trust Indenture on the due date of such installment of Basic Rent or on the Base Lease Commencement Date, as the case may be. Further, and anything contained herein or in the Participation Agreement to the contrary notwithstanding, Termination Value and Stipulated Loss Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e), or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts (excluding Excepted Payments) then required to be paid by Lessee hereunder in connection therewith, will be at least equal to, as of the date of payment thereof, the aggregate unpaid principal of the outstanding Certificates, together with all unpaid interest thereon accrued to the date on which such amount is paid in accordance with the terms hereof.

Basic Rent accrues or is earned with respect to each Lease Period in accordance with Exhibit A-1 to the Rent Schedule.

(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise as in the case of nonpayment of Basic Rent. In addition, Lessee will pay as Supplemental Rent (i) on demand, an amount equal to interest at the applicable Overdue Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or demanded, as the case may be, for the period until the same shall be paid, (ii) in the case of any prepayment of the Certificates

pursuant to Section 2.12 or 2.14 of the Trust Indenture or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture, on the date the same is payable by Lessor under the Trust Indenture, an amount equal to the Break Amount, if any, payable with respect to the Certificates and (iii) any amounts payable by Lessor under Section 2.04 or 2.18 of the Trust Indenture; provided that notwithstanding anything to the contrary set forth in any Operative Document or any document or instrument relating thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of the Break Amount, if any, payable with respect to the Certificates, as a result of (i) a prepayment of the Certificates or a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (ii) an Indenture Default that does not also constitute an Event of Default. All Supplemental Rent to be paid pursuant to this Section 3(c) shall be payable in the type of funds and in the manner set forth in Section 3(d).

(d) Payment to Lessor. All Rent shall be paid by Lessee to Lessor at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-2), in funds consisting of lawful currency of the United States of America which shall be immediately available at such office of Lessor not later than 1:00 p.m., New York City time, on the date of payment, provided that so long as the Trust Indenture shall not have been discharged pursuant to the terms thereof, Lessor hereby directs, and each of Lessor and Lessee agrees, that all Rent (excluding Excepted Property) or other sums payable to Lessor hereunder or pursuant hereto shall be paid directly to the Indenture Trustee at the times and in funds of the type specified in this Section 3(d) at the offices of the Indenture Trustee at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-2), or at such other location in the United States as the Indenture Trustee may otherwise direct. Whenever the date scheduled for any payment of Rent to be made hereunder shall not be a Business Day, then such payment need not be made on such scheduled date but may be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date and (provided such payment is made on such next succeeding Business Day) no interest shall accrue on the amount of such payment from and after

such scheduled date to the time of such payment on such next succeeding Business Day; provided that, so long as the Original Loan Participant holds any Certificates, interest shall accrue during such period with respect to that portion of Rent, if any, attributable to such Certificates, and Lessee shall pay as Supplemental Rent an amount equal to such accrued interest at the time that such interest is due and payable under such Certificates.

(e) Adjustments to Basic Rent, Stipulated Loss Value and Termination Value. In the event that (i) the Transaction Costs (as such term is defined in Section 18(a) of the Participation Agreement) are less or more than 0.5% of Lessor's Cost, or (ii) prior to the acceptance of the Aircraft on the Delivery Date: (A) there shall have occurred a Change in Tax Law and (B) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 of the Participation Agreement to decline to proceed with the transaction, or (iii) a refunding or refinancing as contemplated by Section 17 or Section 20 of the Participation Agreement occurs, or (iv) the Delivery Date is other than July 9, 1992, or (v) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (after adjustment for any Excess Payment Differential Amount) is other than \$2,553,000.00 then, in each such case, all payments of Basic Rent, Excess Payment Amount and Stipulated Loss Values and Termination Values with respect to the Term will, subject always to the penultimate paragraph of Section 3(b), be adjusted (upwards or downwards, as the case may be) in accordance with the provisions of Section 18 or Section 20, as applicable, of the Participation Agreement to preserve the Owner Participant's Net Economic Return, or the Owner Participant's Revised Net Economic Return, as the case may be, and, to the greatest extent possible, to minimize the net present value of the payments of Basic Rent. In addition, in the event of a refunding or refinancing as contemplated by Section 17 or Section 20 of the Participation Agreement, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in accordance with the provisions of Section 18 or Section 20, as applicable, of the Participation Agreement.

(f) Prepayments of Certain Rent Payments. To the extent, if any, that there shall not have been received by the Indenture Trustee at the office of Indenture Trustee referred to in Section 3(d) hereof, by 1:00 p.m., New York City time, on the Base Lease Commencement Date from Lessor, an amount equal to the Excess Payment Amount, Lessee shall advance to Lessor on the Base Lease Commencement Date an amount equal to the Excess Payment Amount not so paid (such amount being herein called "Prepaid Rent") provided that Lessee will also pay to the Indenture Trustee, on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the Overdue Rate on any Excess Payment Amount not paid by the Owner Participant when due for any period for which the same shall be overdue. Any Rent prepaid pursuant to this Section 3(f) shall be offset against installments of Basic Rent in the order in which they become due, subject to the penultimate sentence of this paragraph. Lessor agrees to reimburse Lessee in the manner and subject to the conditions provided in the following sentence for (x) the Prepaid Rent so paid by Lessee determined as of the date such payment was made, plus (y) the Supplemental Rent so paid by Lessee pursuant to this Section 3(f) plus (z) accrued interest on the unreimbursed portion thereof at a rate per annum equal to the Overdue Rate plus three percent (3%) from the date such amount is paid by Lessee to but not including the date of each such reimbursement (such amounts to be reimbursed being herein called the "Reimbursement Amount"). So long as no Event of Default has occurred and is continuing, Lessee may with written notice to the Owner Participant and Indenture Trustee offset (without duplication) against each succeeding payment (other than as limited by the proviso to this sentence) due from Lessee to Lessor in respect of Basic Rent, Stipulated Loss Value, Termination Value or any other amount due hereunder to Lessor, until Lessee has been fully reimbursed for the Reimbursement Amount; provided, however, that in the case of any payment due from Lessee which is distributable under the terms of the Indenture, Lessee's right of offset shall be limited to amounts distributable to Lessor or the Owner Participant thereunder. No such offset or aggregate combined effect of separate offsets shall reduce the amount of any installments of Basic Rent to an amount insufficient, together with all other amounts payable simultaneously by Lessee, to pay in full the payments then required to be made on account of the principal of and interest on the Certificates then outstanding. Notwithstanding any provision of this Section 3(f) to the contrary, Lessee's obli-

gation to advance an amount equal to the Excess Payment Amount shall terminate at such time as its obligation to pay Basic Rent terminates under this Lease.

Section 4. Lessor's Representations, Warranties and Covenants; Quiet Enjoyment. (a) Lessor's Representations, Warranties and Covenants. NONE OF LESSOR (IN ITS INDIVIDUAL CAPACITY OR AS OWNER TRUSTEE), THE OWNER PARTICIPANT, ANY LOAN PARTICIPANT, OR THE INDENTURE TRUSTEE MAKES OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, AND LESSEE HEREBY WAIVES, RELEASES AND RENOUNCES ANY REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, WORKMANSHIP, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY ENGINE OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, OR AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, WHETHER IN STRICT OR ABSOLUTE LIABILITY OR ARISING FROM THE NEGLIGENCE OF LESSOR, INDENTURE TRUSTEE, ANY LOAN PARTICIPANT, OR THE OWNER PARTICIPANT, ACTUAL OR IMPUTED, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, except that Lessor in its individual capacity represents and warrants that on the Delivery Date Lessor shall have received whatever rights, title and interests in, to and under the Aircraft were conveyed to it by Lessee and Lessor represents, warrants and covenants in its individual capacity that the Aircraft shall be free of Lessor's Liens attributable to it in its individual capacity. Lessor also represents and warrants in its individual capacity that it is, in its individual capacity, a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act (without the use of a voting trust agreement or voting powers agreement).

(b) Quiet Enjoyment. Lessor covenants that, so long as no Event of Default shall have occurred and be continuing, it will not take any action contrary to Lessee's rights under this Lease, or otherwise in any way interfere with the quiet enjoyment of the use and possession of the Aircraft, the Airframe or any Engine by Lessee or any sublessee, assignee or transferee under any sublease, assignment or transfer then in effect and permitted by the terms of this Lease.

Section 5. Return of Aircraft. (a) Return of Airframe and Engines. Upon the termination of this Lease at the end of the Term, a Renewal Term or pursuant to Section 9 or Section 15, unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Section 9(e), 20(b) or 20(c), Lessee will return the Aircraft by delivering the same, at its own expense, to any airport chosen by Lessee in the United States which is on Lessee's route system or, if Lessor has requested storage pursuant to Section 5(d), to the location determined in accordance with Section 5(d), fully equipped with two Engines (which may be Replacement Engines), or other General Electric CF6-80C2B6 engines (or engines of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe) owned by Lessee (and each such engine shall be of the same make, model and manufacture as the other Engine or engine installed on the Airframe), duly installed thereon. At the time of such return, (A) such Airframe and Engines or engines (i) shall be, if the Aircraft is then registered under the laws of the United States, duly certificated as an airworthy aircraft by the Federal Aviation Administration or, if the Aircraft is not then registered under the laws of the United States as provided in the penultimate sentence of this Section 5(a), shall be duly certificated as an airworthy aircraft by the central civil aviation authority of the jurisdiction in which the Aircraft is then registered, and, in addition, if the Aircraft is not registrable in the United States because one of the conditions specified in the proviso to such sentence apply, shall be eligible for certification as an airworthy aircraft by the Federal Aviation Administration, (ii) shall be free and clear of all Liens (other than Lessor's Liens and Permitted Liens of the type described in clause (i) or (iii) of Section 6), (iii) shall be in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted, or, in the case of any such engines owned by Lessee, shall have a value and utility at least equal to, and shall be in as good operating condition as required by the terms hereof with respect to, Engines constituting part of the Aircraft but not then installed on the Airframe and (iv) in the event that Lessee does not use a progressive overhaul program in which no out-of-service phase with respect to the Airframe exceeds 240 hours or a condition-monitored maintenance program with respect to such Engines or engines, and Lessee adopts a time-related overhaul program with respect to the Airframe or a scheduled shop visit or

module change maintenance program with respect to such Engines or engines, or both, such Airframe shall have at least 1,500 hours of operation remaining to the next heavy maintenance visit and the aggregate number of hours of operation on all such Engines or engines remaining until the next scheduled shop visit or module change shall be at least 3,000 hours and (B) such Aircraft shall, except as otherwise provided herein, be clean and in a configuration suitable for commercial passenger service, and shall be in compliance with all mandatory environmental, noise, air pollution and other standards prescribed by the Federal government of the United States of America and applicable to the Aircraft and shall have all of Lessee's and any other Person's exterior markings removed or painted over with the areas thereof refinished to match adjacent areas. In the event that Lessee has adopted a time-related overhaul program with respect to the Airframe and does not meet the above conditions with respect thereto, Lessee shall pay Lessor a dollar amount computed by multiplying (i) 115% of Lessee's direct cost (during the preceding twelve months) of such heavy maintenance visit by (ii) a fraction of which (x) the numerator shall be the difference between 1,500 hours and the actual number of hours of operation remaining on the Airframe to the next heavy maintenance visit and (y) the denominator shall be the aggregate number of hours allowable between heavy maintenance visits. In the event that Lessee has adopted a scheduled shop visit or module change program with respect to such Engines or engines and Lessee does not meet the above conditions with respect to such Engines or engines, Lessee shall pay Lessor a dollar amount computed by multiplying (i) the product of (x) 115% of Lessee's direct cost (during the preceding twelve months) of such scheduled shop visit or module change and (y) the number of Engines or engines returned by (ii) a fraction of which (A) the numerator shall be the difference between 3,000 hours and the actual aggregate number of hours of operation remaining to the next scheduled shop visit or module change for the Engines or engines on the Aircraft and (B) the denominator shall be the aggregate number of hours allowable between scheduled shop visits or module changes for such Engines or engines. At the time of such return, Lessee will, unless requested by Lessor at least 90 days prior to such time of return to retain the existing registration of the Aircraft, cause the Aircraft, if it is not then so registered, to be registered under the laws of the United States with the Federal Aviation Administration in the name of Lessor or its designee; provided that Lessee shall

be relieved of its obligations under this sentence if (x) such registration is prohibited by reason of the failure of Lessor, the Owner Participant or Lessor's designee to be eligible on such date to own an aircraft registered with the Federal Aviation Administration or (y) such registration is otherwise prohibited by applicable law and such prohibition does not result from an act or failure to act on the part of Lessee or any sublessee. In the event the Federal Aviation Administration shall issue any directive which would require improvements to the Aircraft in order for the airworthiness certificate of the Aircraft to be maintained in good standing, and if such directive by its terms is not applicable to the Aircraft prior to the return thereof pursuant to this Section 5, Lessee shall nevertheless comply with such directive if, prior to such return, (x) Lessee commences compliance with such directive with respect to any other Boeing 767-300 aircraft affected by such directive and in use by Lessee and (y) subsequent to any such commencement, the Aircraft is subjected to a maintenance check of the type at which such modification is made, in accordance with Lessee's general maintenance program.

(b) Return of Engines. In the event that any engine not owned by Lessor shall be delivered with the Airframe as set forth in paragraph (a) of this Section 5, Lessee, concurrently with such delivery, will, at its own expense, furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Lessor's Liens and Permitted Liens of the type described in clause (i) of Section 6), with respect to each such engine and with a written opinion of Lessee's counsel (which may be Lessee's General Counsel) to the effect that such bill of sale constitutes an effective instrument for the conveyance of title to such engine to Lessor, and thereupon Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to an Engine constituting part of the Aircraft but not installed on the Airframe at the time of the return of the Airframe.

(c) Fuel; Manuals. Upon the return of the Airframe pursuant to this Section 5, (i) Lessee shall have no obligation with respect to the amount of fuel or oil contained in the Airframe and all fuel or oil remaining on board the Airframe shall be the property of Lessor without charge and (ii) Lessee shall deliver or cause to

be delivered to Lessor all logs, manuals and data, and inspection, modification and overhaul records required to be maintained with respect thereto under applicable rules and regulations of the Federal Aviation Administration and, if the Aircraft has been registered under the laws of a jurisdiction other than the United States, of the applicable foreign governmental authority, and the warranty bill of sale relating to the Aircraft received from the Manufacturer.

(d) Storage upon Return. Upon written request of Lessor received at least 30 days prior to the end of the Term, Lessee will provide Lessor with storage facilities free of charge except as provided below for the Aircraft for a period not exceeding 30 days at such location in the United States on Lessee's route system used by Lessee for the storage of surplus aircraft or engines available for sale as shall be designated by Lessee; provided that Lessor may request that the Aircraft be stored at any other location in the United States on Lessee's route system used by Lessee for such purpose, in which case Lessee may, in its sole discretion, provide such facilities for such period. Any storage facilities provided by Lessee for the Aircraft pursuant to this Section 5(d) shall, in all cases, be at the cost to Lessor of insurance and Lessee's out-of-pocket costs in connection with providing such facilities (it being understood that such out-of-pocket costs shall not be deemed to include the cost of making the storage facilities available) and at the risk of Lessor. In the event Lessor, after a storage location is determined as provided in the first sentence of this Section 5(d), shall request Lessee to deliver the Aircraft to a second location, Lessee will, at Lessor's expense, fly the Aircraft within such 30-day period to a reasonable location selected by Lessor in the United States, for storage at the risk and expense of Lessor, upon receipt of evidence of insurance coverage (reasonably satisfactory to Lessee) as set forth in Section 11(a), provided that (i) Lessee shall not be required to store the Aircraft at any location used by Lessee for storage of surplus aircraft available for sale except as provided in the first sentence of this Section 5(d) and (ii) the delivery by Lessee of the Aircraft to the first location determined as provided in such sentence shall constitute delivery of the Aircraft as required by Section 5(a). Lessor, at its expense, may place such other insurance in such circumstances on the Aircraft as it may deem appropriate. Lessee shall, at Lessor's request, maintain insurance (if

available) for the Aircraft during such period of storage and shall be reimbursed by Lessor for the cost thereof.

(e) Delayed Return. (i) In the event that the use of the Aircraft, Airframe or any Engine in the normal course of the business of air transportation is prohibited on the last day of the Term or the date the Aircraft is required to be redelivered pursuant to Section 9, Lessee shall, upon prompt notice of the reasons therefor to Lessor, not be required to return such Aircraft to Lessor but may retain custody and control of the Aircraft for a period not in excess of 180 days beyond the last day of the Term or such date in order to attempt in a diligent manner to remedy any condition prohibiting such use or (ii) in connection with any sublease of the Aircraft by Lessee permitted under the terms of this Lease, Lessee may at its option, upon written notice to Lessor given not less than 30 days prior to the last day of the Term or such date, extend this Lease for a period not in excess of 60 days beyond the last day of the Term in order to enable Lessee to bring the Aircraft to the condition required under this Section 5 on its return to Lessor; provided that in either case, Lessee shall pay to Lessor at monthly intervals the daily equivalent of 50% of the average annual Basic Rent payable during the Term (excluding the Interim Period) pursuant to the terms hereof for each day of such period.

(f) Overhaul. Immediately prior to the return of the Airframe and Engines or engines at the end of the Term, Lessee, upon written request of Lessor received at least 30 days prior to the end of the Term, and subject to the availability of the appropriate facilities, will overhaul or cause to be overhauled such Airframe and Engines or engines. Such overhaul shall be done in the same manner and same care as used by Lessee with similar airframes and engines of its own, and Lessor shall reimburse Lessee for such overhaul by payment of an amount equal to 110% of Lessee's actual costs in connection with such overhaul. This provision is not intended and shall not be construed to diminish or modify Lessee's other obligations under this Section 5.

Section 6. Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Airframe or any Engine, title thereto or any interest therein or in this Lease except (i) the respective rights of Lessor and Lessee as herein provided, the Lien created under the Trust Indenture, the rights of Lessor under the Purchase Agreement Assignment and the rights of the Owner Participant, the Owner Trustee and the Indenture Trustee under the Trust Agreement, the Trust Indenture, and the Participation Agreement, (ii) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 7(b) and 8(b), (iii) Lessor's Liens, Loan Participant Liens and Trustee's Liens, (iv) Liens for Taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss (or loss of use) of the Airframe or any Engine or interest therein, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of Lessee's business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss (or loss of use) of the Airframe or any Engine or interest therein, (vi) Liens arising out of judgments or awards against Lessee with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review so long as such judgment or award does not and will not involve any material risk or danger of the sale, forfeiture or loss (or loss of use) of the Airframe or any Engine or any interest therein and (vii) salvage or similar rights of insurers under insurance policies maintained pursuant to Section 11. Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

Section 7. Registration, Maintenance and Operation;  
Possession; Insignia. (a) Registration, Maintenance and Operation. Lessee,  
at its own cost and expense, shall:

(i) forthwith upon the delivery thereof to Lessor on the Delivery Date cause the Aircraft to be duly registered, and at all times thereafter to remain duly registered, under the laws of the United States, in the name of Lessor, as owner, except (x) as otherwise required by the Federal Aviation Act, or (y) to the extent that such registration cannot be effected because of Lessor's or the Owner Participant's failure to comply with the citizenship or other eligibility requirements for registration of aircraft under such Act; provided that Lessor shall execute and deliver all such documents as Lessee shall reasonably request for the purpose of effecting and continuing such registration. Notwithstanding the preceding sentence, but subject always to the terms and conditions set forth in Section 9(m) and 9(n) of the Participation Agreement, Lessee may cause the Aircraft to be duly registered under the laws of any jurisdiction in which a sublessee pursuant to Section 7(b)(ix) could be principally based, in the name of Lessor or of any nominee of Lessor, or, if required by applicable law, in the name of Lessee or any other Person, and shall thereafter maintain such registration unless and until changed as provided herein and therein; and Lessor will cooperate with Lessee in effecting such foreign registration;

(ii) maintain, service, repair, overhaul and test the Aircraft in accordance with a maintenance program (as approved by the Federal Aviation Administration) for Boeing 767-300 series aircraft (or, at Lessee's option, (x) in the event that the Aircraft is re-registered in another jurisdiction pursuant to Section 7(a)(i), in accordance with an aircraft maintenance program approved by the central civil aviation authority of the jurisdiction of such registration or (y) in the event of any sublease to a foreign air carrier in accordance with Section 7(b)(ix), approved by the central civil aviation authority of one of the jurisdictions specified in clause (y) of such Section 7(b)(ix)) and in the same manner and with the same care used by Lessee with

respect to comparable aircraft and engines owned or operated by Lessee and utilized in similar circumstances so as to keep the Aircraft in as good operating condition as when delivered to Lessee by the Manufacturer, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times (other than during temporary periods of storage in accordance with applicable regulations or during periods of grounding by applicable governmental authorities, except where such periods of grounding are the result of the failure by Lessee to maintain the Aircraft as otherwise required herein) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction and in compliance with all applicable manufacturer's alert service bulletins;

(iii) maintain, in the English language, all records, logs and other materials required by the appropriate authorities in the jurisdiction where the Aircraft is registered to be maintained in respect of the Aircraft; and

(iv) promptly furnish to Lessor such information as may be required to enable Lessor to file any reports, returns or statements required to be filed by Lessor with any governmental authority because of Lessor's or the Owner Participant's interest in the Aircraft.

Lessee agrees that the Aircraft will not be maintained, used or operated in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority; provided that Lessee shall not be in default under this sentence if it is not possible for it to comply with the laws of a jurisdiction other than the United States (or other than any jurisdiction in which the Aircraft is then registered) because of a conflict with the applicable laws of the United States (or such jurisdiction in which the Aircraft is then registered); provided further that, if the Aircraft shall have been registered in a jurisdiction other than the United States, Lessee shall take all reasonable steps to resolve such

conflict, including, if necessary, the removal of the Aircraft from such other jurisdiction or changing the country of registry of the Aircraft. In the event that any such law, rule, regulation or order requires alteration of the Aircraft, Lessee will conform thereto or obtain conformance therewith at no expense to Lessor and will maintain the Aircraft in proper operating condition under such laws, rules, regulations and orders; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture, provided that neither noncompliance with such law, rule, regulation or order nor such proceedings shall involve any danger of criminal liability to Lessor or the Owner Participant or (unless Lessee shall have provided security reasonably satisfactory to Lessor) any material danger of the sale, forfeiture or loss (or loss of use) of the Aircraft. Lessee also agrees not to operate or locate the Aircraft, or suffer the Aircraft to be operated or located, (i) in any area excluded from coverage by any insurance required by the terms of Section 11, except in the case of a requisition for use by any Government where Lessee obtains indemnity pursuant to Section 11 in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 covering such area, or (ii) in any war zone or recognized or, in Lessee's judgment, threatened area of hostilities unless covered by war risk insurance in accordance with Section 11, but only so long as the same remains in effect while the Aircraft is so operated or located, or unless the Aircraft is operated or used under contract with any Government entered into pursuant to Section 11, under which contract such Government assumes liability for any damage, loss, (or loss of use) destruction or failure to return possession of the Aircraft at the end of the term of such contract and for injury to persons and damage to property of others.

(b) Possession. Lessee will not, without the prior written consent of Lessor, sublease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided that, so long as no Event of Default (or, only so long as the Original Loan Participant shall be a holder of any Certificate, as to any sublease

pursuant to the provisions of clause (ix) of this Section 7(b), an event that with the giving of notice of lapse of time or both would constitute an Event of Default under Section 14(a), (g), (h) or (i) hereof) shall have occurred and be continuing, and so long as the action to be taken shall not deprive the Indenture Trustee of the perfected lien of the Trust Indenture on the Airframe or (subject to subclause (B) of the "provided further" clause to subsection (i) of this Section 7(b)) any Engine, and in any event, so long as Lessee shall comply with the provisions of Section 11, Lessee may, without the prior consent of Lessor:

(i) subject the Airframe to normal interchange agreements or any Engine to normal interchange or pooling agreements or arrangements in each case customary in the airline industry and entered into by Lessee in the ordinary course of its business with any other United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority or with any "foreign air carrier" (as such term is defined in such Act) as to which there is in force a permit issued pursuant to Section 402 of said Act (any such United States certificated air carrier and any such foreign air carrier being hereinafter called a "Permitted Air Carrier"); provided that no transfer of the registration of such Airframe shall be effected in connection therewith; and provided, further, that (A) no such agreement or arrangement contemplates or requires the transfer of title to the Airframe and (B) if Lessor's title to any such Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and Lessee shall comply with Section 10(b) in respect thereof;

(ii) deliver possession of the Airframe or any Engine to the manufacturer thereof for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on the Airframe or such Engine or any part thereof or for alterations or modifications in or additions to the Airframe or such Engine to the extent required or permitted by the terms of Section 7(a) or 8(c);

(iii) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to a sublease, contract or other instrument, a copy of which shall be furnished to Lessor; provided that the term of such sublease (including, without limitation, any option of the sublessee to renew or extend) or the term of possession under such contract or other instrument shall not continue beyond the end of the Term or any Renewal Term then in effect;

(iv) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof in accordance with applicable laws, rulings, regulations or orders (including, without limitation, the Civil Reserve Air Fleet Program authorized under 10 U.S.C. Section 9511 et seq. or any substantially similar program), provided that Lessee (x) notifies Lessor of such transfer of possession of the Airframe or any Engine to the United States or any agency or instrumentality thereof and (y) provides to Lessor the name and the address of the responsible Contracting Office Representative for the Military Airlift Command of the United States within 60 days thereof;

(v) install an Engine on an airframe owned by Lessee free and clear of all Liens, except (A) those of the type permitted under clauses (ii), (iii), (iv), (v), (vi) and (vii) of Section 6 and those which apply only to the engines (other than Engines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety) and (B) the rights of other Permitted Air Carriers under normal interchange agreements which are customary in the airline industry and do not contemplate, permit or require the transfer of title to the airframe or engines installed thereon;

(vi) install an Engine on an airframe leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement; provided that (A) such airframe is free and clear of all Liens except the rights of the parties to the lease or conditional sale or other security agreement covering such airframe and except Liens of the type permitted by

clauses (A) and (B) of subparagraph (v) of this paragraph of Section 7(b) and (B) Lessee shall have obtained from the lessor or secured party of such airframe a written agreement (which may be the lease or conditional sale or other security agreement covering such airframe), in form and substance satisfactory to Lessor (it being understood that an agreement from such lessor or secured party substantially in the form of the final sentence of the penultimate paragraph of this Section 7(b) shall be deemed to be satisfactory to Lessor), whereby such lessor or secured party expressly agrees that neither it nor its successors or assigns will acquire or claim any right, title or interest in any Engine by reason of such Engine being installed on such airframe at any time while such Engine is subject to this Lease or to the lien of the Trust Indenture;

(vii) install an Engine on an airframe owned by Lessee, leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement under circumstances where neither subparagraph (v) nor subparagraph (vi) of this Section 7(b) is applicable; provided that such installation shall be deemed an Event of Loss with respect to such Engine and Lessee shall comply with Section 10(b) in respect thereof, Lessor not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by Lessee with such Section 10(b); and

(viii) sublease any Engine or the Airframe and Engines or engines then installed on the Airframe to any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or successor provision that gives like authority; provided that the term of such sublease (including, without limitation, any option of the sublessee to renew or extend) shall not continue beyond the end of the Term or any Renewal Term then in effect, unless Lessee shall have agreed to purchase the Aircraft or renew this Lease in accordance with the terms hereof at the end of the Term or such Renewal Term, as the case may be, to a date beyond the end of the term of such sublease (assuming that all options to renew or extend such sublease will be exercised); and

(ix) sublease any Engine or the Airframe and Engines or engines then installed on the Airframe to (A) any foreign air carrier that is principally based in and a domiciliary of a country (other than Cuba, El Salvador, Iran, Iraq, Lebanon and Libya) that is at the inception of the sublease a party to the Mortgage Convention, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Exhibit B hereto, or (C) any foreign air carrier not described in clause (A) or (B) above; provided that (w) in the case only of a sublease to a foreign air carrier under clause (C) above, Lessor and the Loan Participants receive at the time of such sublease an opinion of counsel to Lessee (which counsel shall be reasonably satisfactory to Lessor, the Owner Participant and the Loan Participants) to the effect that (a) the terms of the sublease and the Operative Documents are legal, valid, binding and enforceable in the country in which such foreign air carrier is principally based, to substantially the same extent as the Operative Documents are at that time enforceable in the United States, (b) it is not necessary for Lessor or the Owner Participant to qualify to do business in such country solely as a result of the proposed sublease, (c) there is no tort liability of the owner of an aircraft not in possession thereof (or of a lender providing funds for the purchase of an aircraft) under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such owner or lender under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to Lessor, the Owner Participant and the Loan Participants, such opinion shall be waived if insurance reasonably satisfactory to Lessor, the Owner Participant and the Loan Participants is provided by Lessee to cover the risk of such liability), (d) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless Lessee shall have agreed to provide insurance reasonably satisfactory to Lessor, the Indenture Trustee and the Owner Participant covering the risk of requisition of use of the Aircraft by the government of such jurisdiction so long as the Aircraft is subleased in such country), and

(e) there exist no possessory rights in favor of such sublessee under the laws of such country which would, upon bankruptcy of or other default by Lessee or the sublessee, prevent the return of such Engine or the Airframe and such Engine or engine to Lessor in accordance with and when permitted by the terms of Sections 14 and 15(a) hereof upon the exercise by Lessor of its remedies under Section 15(a), (x) in the case only of a sublease to a foreign air carrier under clause (C) above, each of Lessor and the Owner Participant receives assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have made arrangements reasonably satisfactory to the Lessor and the Owner Participant that all payments to be made by or on behalf of the Lessee under the Operative Documents and by the sublessee under the relevant sublease will be paid in U.S. Dollars), (y) in the case of any sublease to a foreign air carrier, either the sublease, or an arrangement existing between Lessee, the sublessee and/or one or more third parties that provide maintenance services, provides that the Aircraft will be maintained, serviced, repaired, overhauled and tested in accordance with maintenance standards for Boeing 767-300 series aircraft approved by, or substantially similar to those approved or required by, the Federal Aviation Administration or the central civil aviation authority of any of Brazil, Canada, France, The Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, Switzerland or the United Kingdom and (z) in the case of any sublease to a foreign air carrier (other than a foreign air carrier principally based in Taiwan) the United States of America maintains normal diplomatic relations with the country in which such foreign air carrier is principally based at the time such sublease is entered into; and provided, further, that the term of any such sublease (including, without limitation, any option of the sublessee to renew or extend) shall not continue beyond the end of the Term or any Renewal Term then in effect, unless Lessee shall have agreed to purchase the Aircraft or renew this Lease in accordance with the terms hereof at the end of the Term or such Renewal Term, as the case may be, to a date beyond the end of the term of such sublease (assuming that all options to renew or extend such sublease will be exercised);

provided that the rights of any transferee who receives possession by reason of a transfer permitted by this Section 7(b) (other than the transfer of an Engine which is deemed an Event of Loss) shall be subject and subordinate to, and any sublease permitted by this Section 7(b) shall be made expressly subject and subordinate to, all the terms of this Lease and of the Trust Indenture, including, without limitation, Lessor's rights to repossession pursuant to Section 15(a) hereof and to avoid such sublease upon such repossession and the Indenture Trustee's rights to possession pursuant to Section 4.04 of the Trust Indenture, and Lessee shall in all events remain primarily liable hereunder for the performance and observance of all of the terms and conditions of this Lease to the same extent as if such sublease or transfer had not occurred, and any such sublease shall include appropriate provisions for the maintenance (subject to clause (y) of the first proviso to Section 7(b)(ix)) and insurance of the Aircraft. No interchange agreement, pooling agreement, sublease or other relinquishment of possession of the Airframe or any Engine permitted by this Section 7(b) shall in any way discharge or diminish any of Lessee's obligations hereunder or under the other Operative Documents. With the prior written consent of Lessor, which consent shall not be unreasonably withheld, Lessee may sub-sublease the Airframe or Engines in connection with a transaction that involves such a sub-sublease commencing at the inception of the transaction. Lessee may not otherwise sub-sublease the Airframe or Engines. Lessee shall not sublease the Airframe or Engines to any sublessee that is the subject of a bankruptcy, insolvency or other similar proceeding at the inception of such sublease without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessee shall, promptly upon entering into a sublease of the Airframe or Engines, notify Lessor, the Owner Participant and the Indenture Trustee of the identity of the sublessee and the term of such sublease and shall provide a copy of such sublease agreement to any of Lessor, the Owner Participant or the Indenture Trustee upon request therefrom (with economic and financial provisions and information deleted therefrom if Lessee shall so choose), provided that, except to the extent required by applicable law, such parties shall keep confidential the identity of the sublessee and the existence and terms of such sublease. Lessor hereby agrees, for the benefit of the lessor or secured party of any airframe or engine leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement that Lessor will

not acquire or claim, as against such lessor or secured party, any right, title or interest in any engine or engines owned by the lessor under such lease or subject to a security interest in favor of the secured party under such conditional sale or other security agreement as the result of such engine or engines being installed on the Airframe at any time while such engine or engines are subject to such lease or conditional sale or other security agreement.

Lessor acknowledges that any "wet lease" or other similar arrangement under which Lessee maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 7(b).

(c) Insignia. Lessee agrees to affix as promptly as practicable after the Delivery Date and thereafter to maintain in the cockpit of the Airframe adjacent to the airworthiness certificate therein and (if not prevented by applicable law or regulations or by any governmental authority) on each Engine a nameplate bearing the inscription "WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE, LESSOR", and, so long as the Airframe or such Engine shall constitute a part of the Indenture Estate, the inscription "NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE/MORTGAGEE" (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Lessor or successor Indenture Trustee). Except as above provided, Lessee will not allow the name of any Person to be placed on the Airframe or on any Engine as a designation that might be interpreted as a claim of ownership; provided that nothing herein contained shall prohibit Lessee (or any sublessee) from placing its customary colors and insignia on the Airframe or any Engine.

Section 8. Replacement and Pooling of Parts; Alterations, Modifications and Additions. (a) Replacement of Parts. Lessee, at its own cost and expense, will promptly replace all Parts which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use for any reason whatsoever, except as otherwise provided in Section 8(c). In addition, Lessee may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether

or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use; provided that Lessee, except as otherwise provided in Section 8(c), will, at its own cost and expense, replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all Liens (except for pooling arrangements to the extent permitted by Section 8(b) and Permitted Liens), and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. Title to all Parts at any time removed from the Airframe or any Engine shall remain vested in Lessor no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the Airframe or any Engine and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Airframe or any Engine as above provided, without further act, (i) title to the replaced Part shall thereupon vest in Lessee, free and clear of all rights of Lessor, and such replaced Part shall no longer be deemed a Part hereunder, (ii) title to such replacement Part shall thereupon vest in Lessor, free and clear of all Liens (except for Permitted Liens) and (iii) such replacement Part shall become subject to this Lease and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Parts originally incorporated or installed in or attached to the Airframe or such Engine.

(b) Pooling of Parts. Any Part removed from the Airframe or an Engine as provided in Section 8(a) may be subjected by Lessee to a normal pooling arrangement customary in the airline industry entered into in the ordinary course of Lessee's business with Permitted Air Carriers; provided that the Part replacing such removed Part shall be incorporated or installed in or attached to the Airframe or such Engine in accordance with Section 8(a) as promptly as practicable after the removal of such removed Part. In addition, any replacement Part when incorporated or installed in or attached to the Airframe or an Engine in accordance with Section 8(a) may be owned by a Permitted Air Carrier subject to such a normal pooling arrangement; provided that Lessee, at its expense, as promptly thereafter as practicable, either (i) causes title to such replacement Part to vest in Lessor in accordance with Section 8(a) by Lessee acquiring

title thereto for the benefit of, and transferring such title to, Lessor, free and clear of all Liens (other than Permitted Liens) or (ii) replaces such replacement Part by incorporating or installing in or attaching to the Airframe or such Engine a further replacement Part owned by Lessee free and clear of all Liens (other than Permitted Liens) and by causing title to such further replacement Part to vest in Lessor in accordance with Section 8(a).

(c) Alterations, Modifications and Additions. Lessee, at its own expense, will make such alterations and modifications in and additions to the Airframe and the Engines as may be required from time to time to meet the standards of the Federal Aviation Administration or other governmental authority having jurisdiction in any country in or over which the Aircraft is flown; provided, however, that Lessee may, in good faith, contest the validity or application of any such standard in any reasonable manner which does not adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture, provided that neither noncompliance with such standard nor such proceedings shall involve any danger of criminal liability to Lessor or the Owner Participant or (unless Lessee shall have provided security reasonably satisfactory to Lessor) any material danger of the sale, forfeiture or loss of the Aircraft. In addition, Lessee, at its own expense, may from time to time make or cause to be made such alterations and modifications in and additions to the Airframe or any Engine as Lessee may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts which Lessee deems to be obsolete or no longer suitable or appropriate for use on the Airframe or such Engine (such Parts being referred to as "Obsolete Parts"); provided that no such alteration, modification, addition or removal shall diminish the value or utility of the Airframe or such Engine, or materially impair the condition or airworthiness thereof, below the value, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or removal assuming the Airframe or such Engine was then of the value and utility and in the condition and airworthiness required to be maintained by the terms of this Lease, except that the value (but not the utility, condition or airworthiness) of the Aircraft may be reduced by the value of Obsolete Parts which shall have been removed, if the aggregate value of all such Obsolete Parts removed from the Aircraft and not replaced shall not exceed \$500,000. Title to all Parts incorporated or

installed in or attached or added to the Airframe or any Engine as the result of such alteration, modification or addition shall, without further act, vest in Lessor. Notwithstanding the foregoing, Lessee may, at any time during the Term, remove any Part; provided that (i) such Part is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to the Airframe or such Engine at the time of delivery thereof hereunder or any Part in replacement of, or substitution for, any such Part, (ii) such Part is not required to be incorporated or installed in or attached or added to such Airframe or Engine pursuant to the first sentence of this Section 8(c), and (iii) such Part can be removed from the Airframe or such Engine without diminishing or impairing the value, utility, condition or airworthiness required to be maintained by the terms of this Lease which the Airframe or such Engine would have had at such time had such removal not occurred. Upon the removal by Lessee of any Part as provided in the immediately preceding sentence or the removal of any Obsolete Part permitted by this Section 8(c), title thereto shall, without further act, vest in Lessee and such Part shall no longer be deemed part of the Airframe or the Engine from which it was removed. Title to any such Part not removed by Lessee prior to the return of the Airframe or any Engine to Lessor hereunder shall remain vested in Lessor.

Section 9. Voluntary Termination. (a) Right of Termination. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option (i) to terminate this Lease at any time on or after the fifth anniversary of the Delivery Date, if in Lessee's good faith determination (evidenced by a certificate of a Responsible Officer of Lessee to such effect) the Aircraft is surplus to Lessee's requirements or economically obsolete to Lessee, and (ii) at any time on or after the eighth anniversary of the Delivery Date to terminate this Lease for any reason whatsoever, in each case by delivering to Lessor a written notice of termination specifying a proposed date of termination (the "Termination Date") which shall be a Business Day occurring not earlier than 90 days after the date of such notice, and, if the Termination Date is a Special Termination Date, whether or not Lessee is thereby electing to purchase the Aircraft on such Special Termination Date as provided in Section 9(e). The termination of this Lease shall, subject to the terms and conditions of this Section 9, be

effective on (i) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to sell the Aircraft, as provided below, the date of sale of the Aircraft, if any, referred to in Section 9(b), (ii) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft as provided in Section 9(d), the date of termination referred to in Section 9(d), or (iii) if Lessee has elected to purchase the Aircraft as provided in Section 9(e), the date of purchase referred to in Section 9(e). Where Lessee has not elected to purchase the Aircraft as provided in Section 9(e), Lessor shall give Lessee irrevocable notice of its election to sell or retain the Aircraft no later than 30 days prior to the Termination Date. In the event Lessor shall fail to give notice pursuant to the immediately preceding sentence, notice of its election to sell the Aircraft shall be deemed to have been given as of such thirtieth day prior to the Termination Date. Unless Lessor shall have given to Lessee a timely notice of its election to retain the Aircraft as provided in Section 9(d), Lessee may withdraw the termination notice referred to above at any time on or prior to the date three Business Days prior to the Termination Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, after the third Business Day prior to the Termination Date, a notice of termination given pursuant to this Section 9(a) or such notice is deemed withdrawn pursuant to the final sentence of Section 9(b), Lessee will reimburse Lessor, each Loan Participant and the Owner Participant for any reasonable out-of-pocket expenses (including any Break Amount incurred in anticipation of such termination) incurred by it in connection with the proposed sale, except Lessee shall not be obligated to reimburse Lessor and the Owner Participant for any out-of-pocket expenses to the extent Lessor shall have failed to comply with its obligations under this Section 9. Lessee shall not be entitled to exercise its right of termination provided for in this Section 9(a) more than four times during the Term (not including for purposes of this sentence any exercise by Lessee of such right of termination immediately following a failure of this Lease to be terminated by reason of Lessor's failure to comply with its obligations under this Section 9).

(b) Sale of Aircraft. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected or is deemed to have

elected to sell the Aircraft pursuant to Section 9(a), Lessee will have the option of acting as non-exclusive agent for Lessor to obtain bids for the cash purchase on or prior to the Termination Date of the Aircraft. Lessor agrees to pay Lessee a commercially reasonable brokerage fee based on the then current industry practice in the event that Lessee locates the Person who purchases the Aircraft pursuant to this Section 9(b). If Lessee acts as such agent, no later than ten Business Days prior to the Termination Date, Lessee shall certify to Lessor in writing the amount and terms of each cash bid received by Lessee and the name and the address of the Person submitting each such bid. Lessor may (but need not) also, at its expense (which expense, including without limitation any broker's or finder's fees, shall be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Termination Date, certify to Lessee in writing the amount and terms of such bid and the name and address of the Person submitting such bid. Neither the Owner Participant, Lessee, nor any Affiliate of either may submit a bid for the Aircraft, directly or indirectly, in connection with such proposed sale. On the Termination Date (or such other date of sale as may be agreed to by Lessor and Lessee, which shall thereafter be deemed the Termination Date), (x) Lessee shall, subject to receipt (i) by Lessor (or, so long as the Trust Indenture shall not have been discharged, the Indenture Trustee) of the full purchase price thereof and all amounts owing to Lessor pursuant to the next sentence, and (ii) by the Persons entitled thereto of all unpaid Supplemental Rent due on or before the Termination Date, deliver the Aircraft at a location selected by Lessee to the Person who shall have submitted the highest cash bid net of any broker's or finder's fees (or such other purchaser acceptable to Lessor and Lessee), in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) Lessor shall simultaneously therewith sell, without recourse or warranty (except as to Lessor's Liens), for cash all of Lessor's right, title and interest in and to the Aircraft to such highest net cash bidder (or other purchaser). The total selling price realized at such sale shall be retained by Lessor (or, so long as the Trust Indenture shall not have been discharged, distri-

buted by the Indenture Trustee pursuant to the terms of the Trust Indenture) and, in addition, on the Termination Date, Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), an amount equal to (I) the sum of (1) the excess, if any, of (A) the Termination Value for the Aircraft as of the Termination Date, over (B) the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person), plus (2) all Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates) due and owing on the Termination Date, plus (3) (A) if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), or (B) if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, plus (4) all Basic Rent due and payable prior to the Termination Date and unpaid, less (II) any credit to which Lessee may be entitled as hereinafter in this Section 9(b) provided. Subject always to the provisions of the penultimate paragraph of Section 3(b), if the Termination Date with respect to which Termination Value is determined is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall be entitled to a credit against the amounts payable by it pursuant to this Section 9(b) in an amount equal to the lesser of (x) the Unearned Advance Basic Rent as of the Termination Date, and (y) the amount, if any, by which the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person) exceeds the Termination Value for the Aircraft as of the Termination Date; provided that, in the event that the amount calculated pursuant to this sentence to be credited exceeds the amounts payable by Lessee pursuant to this

Section 9(b), the Owner Participant shall be obligated to rebate an amount equal to such excess to Lessee. If on or prior to the scheduled Termination Date no sale of the Aircraft shall have occurred and if Lessor shall not have elected to retain the Aircraft in accordance with Section 9(d) or Lessee shall not have elected to purchase the Aircraft in accordance with Section 9(e), Lessee's notice given pursuant to Section 9(a) shall be deemed to be withdrawn as of such scheduled Termination Date and this Lease shall continue in full force and effect.

(c) Certain Obligations upon Sale of Aircraft. Upon the sale of the Aircraft pursuant to and in accordance with the provisions of Section 9(b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of the Aircraft under Section 9(b), other than to transfer to the purchaser of the Aircraft (or to such purchaser and to Lessee, as the case may be), without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft against receipt of the payments provided for herein, and to pay the amounts, if any, required to be paid by Lessor under Section 9(b) or this Section 9(c), and to request the Indenture Trustee upon the sale of the Aircraft pursuant to Section 9(b) to execute and deliver to such purchaser (or to such purchaser and to Lessee, as the case may be) an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. Lessor agrees to notify promptly Lessee of the appointment by Lessor of any broker or finder (other than Lessee) in connection with the sale of the Aircraft pursuant to Section 9(b) and, subject to Section 9(b), to pay the fees or commissions of any such broker or finder employed by Lessor in connection with the sale of the Aircraft pursuant to Section 9(b).

(d) Retention of Aircraft by Lessor. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft pursuant to Section 9(a), on the Termination Date

specified in Lessee's termination notice, Lessor shall pay, or cause to be paid, to the Indenture Trustee funds of the type and in an amount equal to (1) the aggregate outstanding principal amount of the Certificates and all accrued interest thereon, plus (2) all other sums due and payable on such Termination Date under the Trust Indenture, the Participation Agreement or such Certificates. Subject to receipt by the Indenture Trustee of such funds, on the Termination Date, (i) Lessee (x) shall deliver the Aircraft to Lessor in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) all Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates), other than Termination Value, and, if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, and all Basic Rent due and payable prior to the Termination Date and unpaid, less (B) any credit to which Lessee may be entitled as hereinafter in this Section 9(d) provided, and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft, and (y) Lessor shall request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. If the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent

Schedule as having been payable in advance, Lessee shall, subject always to the provisions of the penultimate paragraph of Section 3(b), be entitled to a credit against the amounts payable by it pursuant to this Section 9(d) in an amount equal to the Unearned Advance Basic Rent as of the Termination Date; provided that in the event that the Unearned Advance Basic Rent exceeds the amount payable by Lessee pursuant to this Section 9(d), the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee. If Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) and as a result thereof this Lease shall not be terminated on a proposed Termination Date, Lessor shall thereafter no longer be entitled to exercise its election to retain the Aircraft and Lessee may at its option at any time thereafter submit a new termination notice pursuant to Section 9(a).

(e) Purchase of Aircraft by Lessee. In the event that Lessee shall have elected to purchase the Aircraft on a Special Termination Date pursuant to Section 9(a), on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greater of (I) the Termination Value for the Aircraft, computed as of the Special Termination Date, and (II) the then fair market sales value of the Aircraft, as determined by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal. On such Special Termination Date, (x) Lessee (i) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all unpaid Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates), other than Termination Value, due and owing on such Special Termination Date, all Basic Rent due and payable prior to the Special Termination Date and unpaid and the Basic Rent installment due and payable on the Special Termination Date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) and (ii) at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), the Special Termination Price, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates (including, without limitation, any scheduled payment of principal of, Break Amount, if any, on, or

accrued interest on, the Certificates due and payable on the Special Termination Date but, provided that the principal of the Certificates shall not have been accelerated pursuant to Section 4.04 of the Trust Indenture, only to the extent that the Basic Rent installment payable by Lessee pursuant to clause (i) above does not cover such scheduled payment of principal of or accrued interest on the Certificates but excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Termination Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee) in accordance with Section 2.16 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Termination Price over an amount equal to the sum of the principal of, and any accrued and unpaid interest on, the outstanding Certificates on such Special Termination Date, after taking into account any payments of principal or interest made in respect of the outstanding Certificates on such Special Termination Date, and (y) Lessor will sell to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates as provided for above, Lessor will request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(f) Termination of Lease, Etc. Upon the sale or retention or purchase of the Aircraft, as the case may be, in compliance with the provisions of this Section 9, (i) the obligation of Lessee to pay Basic Rent under Section 3(b) on any Lease Period Date occurring subsequent to the applicable Termination Value Determination Date, and (ii) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 10 of the Tax Indemnity Agreement, (y) pursuant to clause

(ii) of the second sentence of Section 3(c) of this Lease, or (z) in respect of liabilities and obligations of Lessee which have accrued under any Operative Document but not been paid or which are in dispute as of the date of such sale or retention) shall cease as of the Termination Date and, in each case, the Term shall end effective as of the Termination Date.

(g) Termination as to Engines. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option at any time, on at least 60 days' prior written notice to Lessor and the Indenture Trustee, to terminate this Lease with respect to any Engine. In such event, and prior to the date of such termination, Lessee shall replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine.

Section 10. Loss, Destruction, Requisition, Etc. (a) Event of Loss with Respect to the Airframe. Upon the occurrence of an Event of Loss with respect to the Airframe, Lessee shall forthwith (and, in any event, within 30 days after such occurrence) give Lessor and the Indenture Trustee notice of such Event of Loss and of its election to perform one of the following options (it being agreed that, if Lessee shall not have given notice of such election within such 30 days after such occurrence, Lessee shall be deemed to have elected to perform the option set forth in the following clause (ii)):

(i) as promptly as practicable, and in any event on or before the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss, in replacement for the Airframe, Lessee shall convey or cause to be conveyed to Lessor title to a Replacement Airframe (together with the same number of Replacement Engines as the Engines, if any, installed on the Airframe at the time such Event of Loss occurred) to be leased to Lessee hereunder, such Replacement Airframe and Replacement Engines to be free and clear of all Liens (other than Permitted Liens), to have a value and utility at least equal to, and to be in as good operating condition as, the Airframe and Engines, if any, so replaced (assuming such Airframe and Engines were in the condition and repair required by the terms of this Lease); provided that, if Lessee shall not per-

form its obligation to effect such replacement under this clause (i) during the period of time provided herein, then Lessee shall pay on the fifteenth day next following the end of such period to Lessor, or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d) hereof, the amounts specified in clause (ii) below; or

(ii) on or before the earlier of 30 days following the date on which insurance proceeds are received with respect to such Event of Loss and the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss or on the date specified in the proviso to clause (i) above, if such proviso is applicable (the "Loss Payment Date"), Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) the Stipulated Loss Value for the Aircraft, determined as of the Loss Payment Date, plus (B) all Supplemental Rent (including, without limitation, the Break Amount, if any, on the Certificates) due and owing by Lessee to Lessor, the Owner Participant, the Indenture Trustee and the Loan Participants, hereunder or under any of the Operative Documents on such Loss Payment Date, plus (C) if the Casualty Loss Determination Date with respect to the Stipulated Loss Value is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), plus (D) all Basic Rent due and payable prior to the Casualty Loss Determination Date and unpaid.

In the event of payment in full of the Stipulated Loss Value for the Aircraft and all amounts payable pursuant to this Section 10, (1) the obligation of Lessee to pay any Basic Rent under Section 3(b) on any Lease Period Date occurring subsequent to the Casualty Loss Determination Date with respect to which Stipulated Loss Value is determined shall terminate, (2) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 10 of the Tax Indemnity Agreement or Section 7(d) of the Participation

Agreement, or (y) in respect of liabilities and obligations of Lessee which have accrued under any of the Operative Documents but not been paid or which are in dispute as of the date of such payment) shall terminate, (3) the Term for the Aircraft shall end, (4) Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to the Airframe and Engines (if any) with respect to which such Event of Loss occurred, as well as all Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but not installed thereon when such Event of Loss occurred, and (5) Lessor will assign to or as directed by Lessee all claims of Lessor against third Persons relating to such Airframe and Engines arising from such Event of Loss. Upon such transfer, Lessor shall request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereof thereunder.

At the time of or prior to any replacement of the Airframe and such Engines, if any, Lessee, at its own expense, will (A) furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Permitted Liens) with respect to the Replacement Airframe and Replacement Engines, if any, together with an assignment of any and all manufacturer's warranties applicable thereto (to the extent such warranties may be so assigned by Lessee) in a form substantially similar to the Form of Purchase Agreement Assignment attached as Exhibit III to the Participation Agreement, (B) cause a Lease Supplement substantially in the form of Exhibit A hereto, subjecting such Replacement Airframe and Replacement Engines, if any, to this Lease, and duly executed by Lessee, to be delivered to Lessor for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (C) so long as the Trust Indenture shall not have been satisfied and discharged, cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit A to the Trust Indenture and other requisite documents or instruments for

such Replacement Airframe and Replacement Engines, if any, to be delivered to Lessor and to the Indenture Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (D) so long as the Trust Indenture shall not have been satisfied and discharged, cause a financing statement or statements with respect to the Replacement Airframe and Replacement Engines, if any, and other requisite documents or instruments to be filed in such place or places as necessary in order to perfect the security interest therein created by or pursuant to the Trust Indenture, or, if necessary, pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (E) furnish Lessor, the Indenture Trustee and each Loan Participant with an opinion of Lessee's counsel addressed to each (which may be Lessee's General Counsel), to the effect that the bill of sale referred to in clause (A) above constitutes an effective instrument for the conveyance of title to the Replacement Airframe and Replacement Engines, if any, to Lessor and to the further effect that upon such conveyance such substituted property will be leased hereunder and subjected to the lien of the Trust Indenture, (F) furnish Lessor and the Indenture Trustee with a certificate of an independent aircraft engineer or appraiser certifying that the Replacement Airframe and Replacement Engines, if any, have a value and utility at least equal to, and are in as good operating condition as, the Airframe and Engines, if any, so replaced assuming such Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (G) furnish Lessor and the Indenture Trustee with (i) such evidence of compliance with the insurance provisions of Section 11 with respect to such Replacement Airframe and Replacement Engines as Lessor or the Indenture Trustee may reasonably request and (ii) a certificate from a Responsible Officer of Lessee certifying that at the time of such replacement there is no continuing Event of Default, and (H) furnish Lessor, each Loan Participant and the Indenture Trustee with an opinion of Lessee's counsel (which may be Lessee's General Counsel) addressed to each, to the effect that the Owner Trustee, as Lessor under the Lease, and the Indenture Trustee, as assignee of

the Owner Trustee's rights under the Lease pursuant to the Indenture, would be entitled to the benefits of Title 11 U.S.C. Section 1110 with respect to the Replacement Airframe, provided that (i) such opinion need not be delivered to the extent that, by reason of a change in law or in judicial or other governmental interpretation thereof after the Delivery Date, the benefits of such Section 1110 were not available to the Owner Trustee or the Indenture Trustee with respect to the Aircraft immediately prior to such substitution and (ii) such opinion may contain qualifications and assumptions of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 4(J) of the Participation Agreement on the Delivery Date and (I) so long as the Original Loan Participant is the holder of any Certificate, take such other actions as the Original Loan Participant shall reasonably request in order that title to such Replacement Airframe and Replacement Engines, if any, is duly and properly vested in Lessor, leased hereunder and subjected to the lien of the Trust Indenture to the same extent as the Airframe, Engine or Engines replaced thereby. In the case of each Replacement Airframe and each Replacement Engine, if any, conveyed to Lessor under this Section 10(a), promptly upon the registration of the Replacement Aircraft and the recordation of the Lease Supplement and the Trust Agreement and Indenture Supplement or other requisite documents or instruments covering such Replacement Airframe and Replacement Engines, if any, pursuant to the Federal Aviation Act (or pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a)), Lessee will cause to be delivered to Lessor, the Indenture Trustee and each Loan Participant an opinion of counsel to Lessee addressed to each as to the due registration of such Replacement Aircraft, the due recordation of such Lease Supplement and such Trust Agreement and Indenture Supplement or other requisite documents or instruments and the validity and perfection of the security interest in the Replacement Aircraft, Replacement Engines or Replacement Engine, as the case may be, granted to the Indenture Trustee under the Trust Indenture.

For all purposes hereof, upon passage of title thereto to Lessor the Replacement Airframe and Replacement Engines, if any, shall be deemed part of the property leased hereunder, the Replacement Airframe shall be deemed an "Airframe" as defined herein, and each such Replacement

Engine shall be deemed an "Engine" as defined herein. No such replacement of the Airframe or any Engines under the circumstances contemplated by the terms of this Section 10(a) shall result in any reduction of Basic Rent. Upon such passage of title, Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to the replaced Airframe and Engines (if any) installed thereon at the time such Event of Loss occurred, and upon such transfer, Lessor will request in writing that the Indenture Trustee execute and deliver to Lessee an appropriate instrument releasing such replaced Airframe and Engines (if any) installed thereon at the time such Event of Loss occurred from the lien of the Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Indenture.

(b) Event of Loss with Respect to an Engine. Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which there has not occurred an Event of Loss with respect to the Airframe, Lessee shall give Lessor prompt written notice thereof and shall, within 90 days after the occurrence of such Event of Loss, convey or cause to be conveyed to Lessor, as replacement for the Engine with respect to which such Event of Loss occurred, title to a Replacement Engine free and clear of all Liens (other than Permitted Liens) and having a value and utility at least equal to, and being in as good operating condition as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, Lessee, at its own expense, will (i) furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Permitted Liens) with respect to such Replacement Engine, (ii) cause a Lease Supplement substantially in the form of Exhibit A hereto, subjecting such Replacement Engine to this Lease, and duly executed by Lessee, to be delivered to Lessor for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act, or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is registered, (iii) so long as the Trust Indenture shall not have been satisfied and discharged, comply with the applicable

provisions thereof and cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit A to the Trust Indenture or other requisite documents or instruments for such Replacement Engine to be delivered to Lessor and to the Indenture Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (iv) furnish Lessor, the Indenture Trustee and each Loan Participant with an opinion of Lessee's counsel addressed to each (which may be Lessee's General Counsel) to the effect that the bill of sale referred to in clause (i) above constitutes an effective instrument for the conveyance of title to such Replacement Engine to Lessor and to the further effect that upon such conveyance such substituted property will be leased hereunder and subjected to the lien of the Trust Indenture, (v) furnish Lessor and the Indenture Trustee with a certificate of an aircraft engineer or appraiser (who may be an employee of Lessee) certifying that such Replacement Engine has a value and utility at least equal to, and is in as good operating condition as, the Engine so replaced assuming such Engine was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (vi) so long as the Trust Indenture shall not have been satisfied and discharged, cause a financing statement or statements with respect to the Replacement Engine or other requisite documents or instruments to be filed in such place or places as necessary in order to perfect the security interest therein created by or pursuant to the Trust Indenture, or, if necessary, pursuant to the applicable laws of the jurisdiction in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (vii) furnish Lessor and the Indenture Trustee with such evidence of compliance with the insurance provisions of Section 11 with respect to such Replacement Engine as Lessor or the Indenture Trustee may reasonably request and (viii) so long as the Original Loan Participant is the holder of any Certificate, take such other actions as the Original Loan Participant shall reasonably request in order that title to such Replacement Engine is duly and property vested in the Lessor, leased hereunder and subjected to the lien of the Indenture to the same extent as the Engine replaced thereby. In the case of any Replacement Engine conveyed

to Lessor under this Section 10(b), promptly upon the recordation of the Lease Supplement and the Trust Agreement and Indenture Supplement or other requisite documents or instruments covering such Replacement Engine pursuant to the Federal Aviation Act (or pursuant to the applicable laws of the jurisdiction in which the Aircraft is registered in accordance with Section 7(a)), Lessee will cause to be delivered to Lessor, the Owner Participant, each Loan Participant and the Indenture Trustee an opinion of counsel to Lessee addressed to each as to the due recordation of such Lease Supplement and such Trust Agreement and Indenture Supplement or other requisite documents or instruments and the validity and perfection of the security interest in such Replacement Engine granted to the Indenture Trustee under the Trust Indenture. Upon full compliance by Lessee with the terms of this paragraph (b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Engine with respect to which such Event of Loss occurred, and Lessor will assign to or as directed by Lessee all claims of Lessor against third Persons relating to such Engine arising from such Event of Loss. In addition, upon such transfer Lessor shall request in writing that the Indenture Trustee execute and deliver to Lessee an appropriate instrument releasing such Engine from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment (in respect solely of such Engine) from the assignment and pledge under the Trust Indenture. For all purposes hereof, each such Replacement Engine shall, after such conveyance, be deemed part of the property leased hereunder and shall be deemed an "Engine" as defined herein. No Event of Loss with respect to an Engine under the circumstances contemplated by the terms of this Section 10(b) shall result in any reduction in Basic Rent.

(c) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds the application of which is provided for in Section 11) received at any time by Lessor or by Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Airframe or any Engine, other than a requisition for use by any Government or by the government of the country of registry of the

Aircraft not constituting an Event of Loss, will be applied as follows:

(i) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has been or is being replaced by Lessee pursuant to Section 10(a), such payments shall be paid over to, or retained by, Lessor and upon completion of such replacement be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(a) with respect to the Event of Loss for which such payments are made;

(ii) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has not been and will not be replaced pursuant to Section 10(a), such payments shall, after reimbursement of Lessor for costs and expenses, be applied in reduction of Lessee's obligation to pay the Stipulated Loss Value required to be paid by Lessee pursuant to Section 10(a), if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss Value, and the balance, if any, of such payments remaining thereafter shall be paid over to, and retained by, Lessee and Lessor, as their interests may appear; and

(iii) if such payments are received with respect to an Engine under circumstances contemplated by Section 10(b), so much of such payments remaining after reimbursement of Lessor for costs and expenses shall be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(b) with respect to the Event of Loss for which such payments are made.

(d) Requisition for Use by the Government of the Airframe and the Engines Installed Thereon. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof), including, without limitation, pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv), of the Airframe and the Engines or engines installed on the Airframe during the Term, Lessee shall promptly notify Lessor of such requisition and all of Les-

see's obligations under this Lease with respect to the Aircraft shall continue to the same extent as if such requisition had not occurred. All payments received by Lessor or Lessee from such Government or government for the use of the Airframe and Engines or engines during the Term for the Aircraft shall be paid over to, or retained by, Lessee. In the case of any requisition for use by the government of the United States (or any agency or instrumentality thereof whose obligations bear the full faith and credit of such government) of the Airframe and Engines or engines installed on the Airframe that would extend beyond the end of the Term, Lessee at its option may, by written notice to Lessor given not more than 30 nor less than 10 days before the end of the Term, elect to declare an Event of Loss with respect to the Airframe and Engines or engines. Subject to the final paragraph of this Section 10(d), such Event of Loss will be deemed to have occurred on the final day of the Term. If Lessee does not so elect to declare an Event of Loss and (1) such requisition fully terminates and (2) the Airframe and Engines or engines are returned to Lessee before the first anniversary of the end of the Term, Lessee shall be obligated to return the Airframe and the Engines or engines to Lessor pursuant to, and in all other respects to comply with the provisions of, Section 5 as soon as practicable after the Airframe and Engines or engines are returned to Lessee unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Sections 9(e), 20(b) or 20(c). In addition, Lessee shall pay to Lessor at monthly intervals (until the earlier of (i) the return of the Aircraft to Lessor pursuant to Section 5 and (ii) the first anniversary of the end of the Term), an amount equal to the difference, if any, between (A) the daily equivalent of the lesser of (x) 50% of the average annual Basic Rent for the Aircraft payable during the Term (excluding for this purpose the Interim Period) and (y) the fair market rental value of the Aircraft for such period, and (B) the amounts received by Lessor from such government for the use of the Aircraft for such period. All payments received by Lessor or Lessee from such government for the use of such Airframe and Engines or engines during the first year after the end of the Term for the Aircraft shall be paid over to, or retained by, Lessor unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Section 9(e), 20(b) or 20(c), in which event all such payments received after such purchase shall be paid over to, or retained by, Lessee.

If an Event of Loss to the Aircraft shall have occurred as a result of a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit of such government) that shall have extended more than one year beyond the end of the Term, or if Lessee shall have elected in accordance with the third sentence of this Section 10(d) to declare an Event of Loss as a result of any such requisition that would extend beyond the end of the Term, or if an Event of Loss to the Aircraft shall have occurred as a result of a requisition for use by any other Government or government that shall have extended beyond the end of the Term, Lessor (at the direction of the Owner Participant) at its option may, by written notice to Lessee given not more than 20 days after receiving notice of any such Event of Loss or election, waive the occurrence of such Event of Loss. In the event that Lessor waives the occurrence of an Event of Loss, Lessee shall, no later than the later of (i) the date on which such Event of Default would have occurred and (ii) the tenth day after Lessee shall have received such notice from Lessor, transfer to Lessor all of Lessee's right, title and interest to the Airframe and any Engine subject to such requisition under the agreement or agreements relating to such requisition. Upon such transfer, (1) the obligation of Lessee to pay Basic Rent shall terminate, (2) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 10 of the Tax Indemnity Agreement or Section 7(d) of the Participation Agreement, (y) pursuant to clause (ii) of the second sentence of Section 3(c) hereof, or (z) in respect of liabilities and obligations of Lessee which have accrued under any of the Operative Documents but not been paid or which are in dispute as of the date of such transfer) shall terminate, (3) all other obligations of Lessee under the Lease, including, without limitation, any obligation to return the Aircraft in accordance with Section 5 thereof shall terminate and (4) the Term for the Aircraft shall end. In addition, in the event that any Engine shall not be subject to such requisition for use at the time of such transfer, Lessee shall return such Engine to Lessor in accordance with Section 5 hereof.

(e) Requisition for Use by the Government of an Engine. In the event of the requisition for use by any Government or by the government of the country of registry

of the Aircraft (including for this purpose any agency or instrumentality thereof) of any Engine (but not the Airframe), Lessee will replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received by Lessor or Lessee from such Government or government with respect to such requisition shall be paid over to, or retained by, Lessee.

(f) Application of Payments During Existence of Event of Default. Any amount referred to in clause (i), (ii) or (iii) of Section 10(c), Section 10(d) or Section 10(e) which is payable to Lessee shall not be paid to Lessee, or if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred and be continuing, but shall be paid to and held by the Lessor as security for the obligations of Lessee under this Lease and, subject to the Trust Indenture, applied against Lessee's payment obligations hereunder when and as they become due and payable, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee to the extent not applied in accordance with this sentence, provided that if any such amount has been so held by Lessor as security for more than 90 days during which period (i) Lessor shall not have been limited by operation of law or otherwise from exercising remedies hereunder or (ii) Lessor shall not have commenced to exercise any remedy available to it under Section 15, then such amount shall be paid to Lessee to the extent not applied as provided above.

Section 11. Insurance. (a) Airline Liability Insurance. Subject to the rights of Lessee to establish and maintain self-insurance with respect to bodily injury and property damage liability insurance for aircraft and engines (including the Aircraft and Engines) in the manner and to the extent specified in the next sentence, Lessee will carry, or cause to be carried, at no expense to Lessor, the Indenture Trustee, any Loan Participant or the Owner Participant, airline liability insurance (including coverage for bodily injury, contractual liability, passenger legal liability and property damage liability (exclusive of manufacturer's product liability insurance)) with respect to the Aircraft (i) in amounts which are not

less than the airline liability insurance applicable to similar aircraft and engines which comprise Lessee's fleet on which Lessee carries insurance, provided that such liability insurance shall not be less than the amount certified to Lessor and the Indenture Trustee on the Delivery Date, (ii) of the type usually carried by corporations engaged in the same or similar business, similarly situated with Lessee, and owning or operating similar aircraft and engines and covering risks of the kind customarily insured against by Lessee (including, without limitation, war risk and allied perils insurance), and (iii) which is maintained in effect with insurers of recognized responsibility. Lessee may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(b)) with respect to all of the aircraft and engines in Lessee's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (x) 50% of the largest replacement value of any single aircraft in Lessee's fleet or (y) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which Lessee carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of Lessee from such condition as is reflected in the consolidated financial statements of Lessee at December 31, 1982, then, upon not less than 30 days' written notice from Lessor to Lessee, Lessee will, until Lessee's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as Lessor may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies of insurance carried in accordance with this Section 11(a) and any policies taken out in substitution or replacement for any of such policies (A) shall name Lessor, as lessor of the Aircraft and in its individual capacity, the Indenture Trustee and each Participant as additional insureds as their respective Interests may appear (and, so long as the Owner Participant is a direct or indirect subsidiary of American Telephone and Telegraph Company, shall name AT&T Capital Corporation and American Telephone and Tele-

graph Company, and all Affiliates of each, as additional insureds), (B) shall provide that in respect of the respective Interests of Lessor, of the Indenture Trustee and of each Participant in such policies the insurance shall not be invalidated by any action or inaction of Lessee and shall insure Lessor's, the Indenture Trustee's and such Participant's (and, if applicable, the Owner Participant's Affiliates') Interests as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any substantial change is made in the policy which affects the coverage certified hereunder to Lessor, the Indenture Trustee or any Participant (or, if applicable, Affiliates of the Owner Participant), or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Lessor, the Indenture Trustee or such Participant (or, if applicable, any Affiliate of the Owner Participant) for 30 days (seven days, or such other period as is customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by Lessor, by the Indenture Trustee or by such Participant, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall provide that neither Lessor, the Indenture Trustee nor any Participant (or any Affiliate of the Owner Participant) shall have any obligation or liability for premiums, commissions, assessments or calls in connection with such insurance, (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) and (ii) any rights of subrogation against Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) to the extent that Lessee has waived its rights by its agreements to indemnify any such party pursuant to this Lease or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from the rights retained by Lessee shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by Lessee, (F) shall be primary without right of contribution from any other insurance which may be carried by Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) with respect to

its Interests as such in the Aircraft and (G) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. "Interests" as used in this Section 11(a) and Section 11(b) with respect to any Person means the interests of such Person in its capacity as Lessor, Owner Trustee (including in its individual capacity under the Participation Agreement), Indenture Trustee or Participant (or, if applicable, as Affiliates of the Owner Participant), as the case may be, in the leasing transaction contemplated by this Lease, the Participation Agreement and the Indenture. Lessee shall arrange for appropriate certification that the requirements of this Section 11(a) have been met to be made to Lessor, the Indenture Trustee, the Original Loan Participant and the Owner Participant (and the Indenture Trustee may furnish such certificates to each Loan Participant) as soon as practicable by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's, the Indenture Trustee's or any Loan Participant's rights hereunder, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(a) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a sublease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably

satisfactory to Lessor and the Owner Participant, to indemnify Lessee against any of the risks which Lessee is required hereunder to insure against by such Government shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

(b) Insurance Against Loss or Damage to Aircraft. Subject to the rights of Lessee to establish and maintain self-insurance with respect to loss or damage to aircraft (including the Aircraft) in the manner and to the extent specified in the next sentence, Lessee shall maintain, or cause to be maintained, in effect with insurers of recognized responsibility, at no expense to Lessor, the Indenture Trustee or any Participant, all-risk aircraft hull insurance covering the Aircraft and all-risk coverage with respect to any Engines or Parts while removed from the Aircraft (including, without limitation, war risk and allied perils insurance if and to the extent the same is maintained by Lessee or other United States air carriers as to which there are in force certificates issued pursuant to Section 401 of the Federal Aviation Act (or any successor provision that gives like authority) and which are engaged in the same or similar business and are similarly situated with Lessee with respect to similar aircraft owned or operated by Lessee or by such United States air carriers, as the case may be, on the same routes) which is of the type and in substantially the amount usually carried by corporations engaged in the same or similar business and similarly situated with Lessee; provided that (i) such insurance (including the permitted self-insurance) shall at all times while the Aircraft is subject to this Lease be for an amount not less than the Stipulated Loss Value for the Aircraft from time to time and (ii) such insurance need not cover an Engine while attached to an airframe not owned, leased or operated by Lessee. Lessee may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(a)) with respect to all of the aircraft and engines in Lessee's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (i) 50% of the largest replacement value of any single aircraft in Lessee's fleet or (ii) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Air-

craft) on which Lessee carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of Lessee from such condition as is reflected in the consolidated financial statements of Lessee at December 31, 1982, then, upon not less than 30 days' written notice from Lessor to Lessee, Lessee will, until Lessee's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as Lessor may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies carried in accordance with this Section 11(b) and any policies taken out in substitution or replacement for any such policies (A) shall provide that any loss up to the amount of Stipulated Loss Value for any loss or damage constituting an Event of Loss with respect to the Aircraft, and any loss in excess of \$7,000,000, up to the amount of Stipulated Loss Value, for any loss or damage to the Aircraft (or Engines) not constituting an Event of Loss with respect to the Aircraft, shall be paid to the Indenture Trustee as long as the Trust Indenture shall not have been discharged pursuant to the terms and conditions thereof, and thereafter to Lessor, unless, in each case, the insurer shall have received notice that an Event of Default exists, in which case all insurance proceeds up to Stipulated Loss Value shall be payable to the Indenture Trustee or Lessor, as the case may be, (B) shall provide that in respect of the respective Interests of Lessor, of the Indenture Trustee and of each Participant in such policies the insurance shall not be invalidated by any action or inaction of Lessee and shall insure Lessor's, the Indenture Trustee's and such Participant's Interests, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any material change is made in the policy which affects the coverage certified hereunder to Lessor, the Indenture Trustee or any Participant, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Lessor, the Indenture Trustee or such Participant for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war

risk and allied perils coverage) after receipt by Lessor, the Indenture Trustee or such Participant, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall be primary without right of contribution from any other insurance which may be carried by Lessor, the Indenture Trustee or any Participant with respect to its Interests as such in the Aircraft and (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against Lessor, the Indenture Trustee or any Participant and (ii) any rights of subrogation against Lessor, the Indenture Trustee and any Participant to the extent that Lessee has waived its rights by its agreements to indemnify any such party pursuant to this Lease or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from rights retained by Lessee shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by Lessee. Lessee shall arrange for appropriate certification that the requirements of this Section 11(b) have been met to be made promptly to Lessor, the Indenture Trustee, the Original Loan Participant and the Owner Participant (and the Indenture Trustee shall furnish such certification to each Loan Participant) by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights hereunder, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in

this Section 11(b) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a sublease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to Lessor and the Owner Participant, to indemnify Lessee against any of the risks which Lessee is required hereunder to insure against by such Government in any amount up to the Stipulated Loss Value of the Aircraft from time to time shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

As between Lessor and Lessee it is agreed that all insurance payments received under policies required to be maintained by Lessee hereunder, exclusive of any payments received in excess of the Stipulated Loss Value for the Aircraft from such policies, as the result of the occurrence of an Event of Loss with respect to the Airframe or an Engine will be applied as follows:

(x) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed on the Airframe that has been or is being replaced by Lessee as contemplated by Section 10(a), such payments shall be paid over to, or retained by, Lessor, and upon completion of such replacement be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(a) with respect to the Event of Loss for which such payments are made;

(y) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed thereon that has not been and will not be replaced as contemplated by Section 10(a), so much of such payments remaining after reimbursement of Lessor for costs and expenses as shall not exceed the Stipulated Loss Value required to be paid by Lessee pursuant to Section 10(a) shall be applied in reduction of Lessee's obligation to pay such Stipulated Loss Value, if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss

Value, and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, Lessee; and

(z) if such payments are received with respect to an Engine under the circumstances contemplated by Section 10(b), so much of such payments remaining after reimbursement of Lessor for costs and expenses shall be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(b) with respect to the Event of Loss for which such payments are made.

As between Lessor and Lessee the insurance payment for any loss or damage to the Aircraft in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee.

As between Lessor and Lessee the insurance payments for any loss or damage to the Airframe or an Engine not constituting an Event of Loss with respect to the Airframe or such Engine will be applied in payment (or to reimburse Lessee) for repairs or for replacement property in accordance with the terms of Sections 7 and 8, and any balance remaining after compliance with such Sections with respect to such loss shall be paid to Lessee. Any amount referred to in the preceding sentence or in clause (x), (y) or (z) of the second preceding paragraph which is payable to Lessee shall not be paid to Lessee or, if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred and be continuing, but shall be paid to and held by the Indenture Trustee, or if the Trust Indenture shall have been terminated pursuant to the terms thereof, Lessor, as security for the obligations of Lessee under this Lease, and may be applied against Lessee's payment obligations hereunder when and as they become due and payable, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, to the extent not applied in accordance with this sentence, provided that if any such amount has been so held by Lessor as security for more than 180 days during which period (i) Lessor shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (ii) Lessor shall

not have exercised any remedy available to it under Section 15, then such amount shall be paid to Lessee.

(c) Reports, Etc. On or before the Delivery Date, and annually upon renewal of Lessee's insurance coverage, Lessee will furnish to Lessor, the Indenture Trustee, the Original Loan Participant and the Owner Participant (and the Indenture Trustee shall furnish to each Loan Participant) a report signed by a firm of independent aircraft insurance brokers appointed by Lessee, stating the opinion of such firm that the insurance then carried and maintained on the Aircraft complies with the terms hereof; provided that all information contained in such report shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights hereunder, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(c) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. Lessee will cause such firm to advise Lessor, the Indenture Trustee, the Original Loan Participant and the Owner Participant, in writing promptly of any default in the payment of any premium and of any other act or omission on the part of Lessee of which such firm has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. Lessee will also cause such firm to advise Lessor, the Indenture Trustee, the Original Loan Participant and the Owner Participant, in writing as promptly as practicable after such firm acquires knowledge that an interruption or

reduction of any insurance carried and maintained on the Aircraft pursuant to the provisions of this Section 11 will occur.

(d) Insurance for Own Account. Nothing in this Section 11 shall limit or prohibit the Owner Participant (either directly or in the name of the Owner Trustee) or Lessee from obtaining insurance for its own account with respect to the Airframe or any Engine and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto, provided that (i) no such insurance may be obtained which would limit or otherwise adversely affect the coverage or amounts payable under insurance required to be maintained pursuant to this Section 11, it being understood that all salvage rights to the Airframe or such Engine shall remain with Lessee's insurers at all times, and (ii) the Owner Participant may obtain hull insurance on the Aircraft only to the extent the procurement of such insurance does not have an adverse effect on Lessee's ability or cost to obtain such insurance, except that the limitation in the foregoing clause (i) on the Owner Participant's right to obtain liability insurance shall not apply during any period in which Lessee is providing a Government indemnity in lieu of the liability insurance required by Section 11(a) and the limitations in clauses (i) and (ii) on the Owner Participant's rights to obtain hull insurance shall not apply during any period in which Lessee is providing a Government indemnity in lieu of the hull insurance required by Section 11(b).

Section 12. Inspection. At all reasonable times during the Term, but upon at least 5 days' prior written notice to Lessee, Lessor, the Original Loan Participant or the Indenture Trustee or any of their respective authorized representatives may at their own expense and risk conduct a visual walk-around inspection of the Aircraft and any Engine (including a visual walk-around inspection of the Aircraft during any regularly scheduled heavy maintenance visit for the Aircraft conducted by Lessee during the Term) and may inspect the books and records of Lessee relating thereto; provided that (a) such representatives shall be fully insured to the reasonable satisfaction of Lessee by Lessor, the Original Loan Participant or the Indenture Trustee, as the case may be, with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at

the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone (it being understood that each Loan Participant may disclose such information to any other Loan Participant or to any holder of a participation in such Loan Participant's Certificates) other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, legal counsel, underwriters, lenders, rating agencies and authorized insurance brokers, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights hereunder, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates (or participations therein) or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority or as may be necessary for the enforcement of this Lease by Lessor or the Indenture Trustee. Lessee will, upon the request of Lessor, the Original Loan Participant or the Indenture Trustee at any time, notify Lessor, the Original Loan Participant or the Indenture Trustee, as the case may be, of the time and location of the next scheduled heavy maintenance visit to be conducted by Lessee in respect of the Aircraft during the Term; provided that Lessee shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified Lessor, the Original Loan Participant or the Indenture Trustee pursuant to this sentence, Lessee hereby agreeing to use reasonable efforts to notify Lessor, the Original Loan

Participant or the Indenture Trustee, as the case may be, of any such rescheduling or change. None of Lessor, the Indenture Trustee or any Participant shall have any duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall relieve Lessee of any of its obligations under this Lease. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of Lessee's business, and Lessee shall not be required to undertake or incur any additional liabilities in connection therewith.

Section 13. Assignment, Citizenship, Etc. Except as otherwise provided in Section 7(b) or in the case of any requisition for use by any Government referred to in Section 7(a), Lessee will not, without the prior written consent of Lessor, assign any of its rights hereunder, except as permitted by Section 13 of the Participation Agreement. Except as elsewhere herein provided or as expressly permitted by the provisions of the Participation Agreement, Lessor agrees that it will not assign or convey its right, title and interest in and to this Lease or the Aircraft; provided, however, that, in each case where so provided or permitted, the transferee shall be domiciled in the United States, shall be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and shall assume all of the obligations of Lessor under this Lease. To the extent required to entitle the Owner Trustee as Lessor under this Lease to the benefits of Section 1110 of the Bankruptcy Code, Lessee shall maintain in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority. The terms and provisions of this Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective permitted successors and assigns.

Section 14. Events of Default. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) Lessee shall fail to make any payment of Basic Rent, Break Amount, Stipulated Loss Value or Termination Value within 15 days after the same shall have become due or of any other amount of Supplemental Rent within 15 days after written notice of such failure by Lessor or the Indenture Trustee; or

(b) Lessee shall fail to carry and maintain insurance on or with respect to the Aircraft in accordance with the provisions of Section 11; provided that, in the case of insurance with respect to which cancellation, change or lapse for nonpayment of premium shall not be effective as to Lessor, the Indenture Trustee or any Participant (or, if applicable, any Affiliate of the Owner Participant) for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt of notice by Lessor, the Indenture Trustee or any Participant of such cancellation, change or lapse, no such failure to carry and maintain insurance shall constitute an Event of Default hereunder until the earlier of (i) the date such failure shall have continued unremedied for a period of 20 days (five days in the case of any war risk and allied perils coverage) after receipt by Lessor of the notice of cancellation, change or lapse referred to in Section 11(a)(C) or 11(b)(C), or (ii) such insurance not being in effect as to any of Lessor, the Indenture Trustee and any Participant (or, if applicable, any Affiliate of the Owner Participant); or

(c) Lessee shall operate the Aircraft at a time when public liability insurance required by Section 11(a) shall not be in effect; or

(d) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement, any Lease Supplement, the Bills of Sale or the Purchase Agreement Assignment, and such failure shall continue unremedied for a period of 30 days after written notice thereof by Lessor or the Indenture Trustee; provided that, if such failure is capable of being remedied, so long as Lessee is diligently proceeding to remedy such failure (other than a failure to perform or observe the

provisions of the penultimate sentence of Section 13), no such failure shall constitute an Event of Default hereunder for a period of up to 270 days; or

(e) any material representation or warranty made by Lessee in this Lease or in the Participation Agreement, any Lease Supplement, the Bills of Sale or the Purchase Agreement Assignment or in any document furnished by Lessee pursuant hereto or thereto (other than in the Tax Indemnity Agreement or any document furnished by Lessee pursuant thereto) shall prove to have been incorrect in any material respect at the time made, and such incorrectness shall continue to be material and unremedied for a period of 30 days after written notice thereof by Lessor or the Indenture Trustee; or

(f) Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or Lessee shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(g) Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessee in any such proceeding, or Lessee shall by voluntary petition or answer, consent to or seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(h) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of Lessee, a receiver, trustee or liquidator of Lessee or of any substantial part of its property, or sequestering any substantial part of the property of Lessee, and any such order, judgment, or decree of appointment or sequestration shall remain in force undischarged, unstayed or unvacated for a period of 90 days after the date of entry thereof; or

(i) a petition against Lessee in a proceeding under the Federal bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days;

provided that, notwithstanding anything to the contrary contained in this Lease, any failure of Lessee to perform or observe any covenant, condition, or agreement herein shall not constitute an Event of Default if such failure is caused solely by reason of an event referred to in the definition of "Event of Loss" so long as Lessee is continuing to comply with the applicable terms of Section 10.

Section 15. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default by a written notice to Lessee (provided that this Lease shall be deemed to have been declared in default without the necessity of such written notice upon the occurrence of any Event of Default described in paragraph (g), (h) or (i) of Section 14 hereof); and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the following with respect to all or any part of the Airframe and any Engines as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect; provided that during any period when the Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 7(b) and in the possession of the United States government or an instrumentality or agency thereof, Lessor shall not, on account of any Event of Default, be entitled to do any of the following in such manner as to limit Lessee's control under this Lease (or any sublessee's control under any sublease permitted by the terms of this Lease) of any Airframe or any Engines, unless at least 60 days' (or such lesser period as may then be applicable under the Military Airlift Command Program

of the United States Government) prior written notice of default hereunder shall have been given by Lessor by registered or certified mail to Lessee (or any sublessee) with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under any contract with Lessee (or any sublessee) relating to the Aircraft:

(a) cause Lessee, upon the written demand of Lessor and at Lessee's expense, to return promptly, and Lessee shall return promptly, all or such part of the Airframe or any Engine as Lessor may so demand to Lessor or its order in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 5, as if the Airframe or such Engine were being returned at the end of the Term, or Lessor, at its option, may enter upon the premises where all or any part of the Airframe or any Engine are located and take immediate possession of and remove the same (together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; provided that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held for the account of any such owner, lessor, lienor or secured party or, if owned by Lessee, may, at the option of Lessor, be exchanged with Lessee for an Engine in accordance with the provisions of Section 5(b)) by summary proceedings or otherwise, all without liability accruing to Lessor for or by reason of such entry or taking of possession or removal, whether for the restoration of damage to property caused by such taking or otherwise;

(b) sell all or any part of the Airframe and any Engine at public or private sale, whether or not Lessor shall at the time have possession thereof, as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of the Airframe or such Engine as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee except as hereinafter set forth in this Section 15 and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except to the extent required by paragraph (d) below if Lessor

elects to exercise its rights under such paragraph (d) in lieu of its rights under paragraph (c) below;

(c) whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) or paragraph (b) above with respect to all or any part of the Airframe or any Engine, Lessor, by written notice to Lessee specifying a payment date (which date shall be deemed to be a "Termination Date" for purposes of computing Termination Value) which shall be not earlier than 30 days from the date of such notice, may demand that Lessee pay to Lessor, and Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for Lease Periods commencing on or after the Lease Period Date next preceding the payment date specified in such notice), if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, less any credit to which Lessee shall be entitled as hereinafter in this Section 15(c) provided, plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest, if any, on such amount at the applicable Overdue Rate from the Termination Date to but excluding the date of actual payment): (i) an amount equal to the excess, if any, of the Termination Value for the Airframe or such Engine or part thereof, computed as of the payment date specified in such notice, over the aggregate fair market rental value (computed as hereafter provided in this Section 15) of the Airframe or such Engine or part thereof for the remainder of the Term, after discounting such aggregate fair market rental value semi-annually (effective on the Lease Period Dates)

to present worth as of the payment date specified in such notice at the Assumed Debt Rate; or (ii) an amount equal to the excess, if any, of the Termination Value for the Airframe or such Engine or part thereof computed as of the payment date specified in such notice, over the fair market sales value (computed as hereafter provided in this Section 15) of the Airframe or such Engine or part thereof as of the payment date specified in such notice; provided that if the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, if and so long as it shall have paid in full all Rent otherwise payable by it hereunder or pursuant hereto, be entitled to a credit against the amounts payable by it pursuant to this Section 15(c) in an amount equal to the lesser of the Unearned Advance Basic Rent as of the Termination Date and the amount, if any, by which such aggregate fair market rental value or such fair market sales value, as the case may be, exceeds such Termination Value; and provided, further, that in the event that the amount calculated pursuant to this sentence to be credited exceeds the amount payable by Lessee pursuant to this Section 15(c) and any other amounts payable by Lessee hereunder as a result of the applicable Event of Default or the exercise of Lessor's remedies with respect thereto, the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee;

(d) in the event Lessor, pursuant to paragraph (b) above, shall have sold all or any part of the Airframe or any Engine, Lessor, in lieu of exercising its rights under paragraph (c) above with respect to the Airframe or such Engine or part thereof, may, if it shall so elect, demand that Lessee pay Lessor, and Lessee shall pay to Lessor, on the date of such sale (which date shall be deemed a "Termination Date" for purposes of computing Termination Value), as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for Lease Periods commencing on or after the Lease Period Date next preceding the date of such sale), if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date

pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, less any credit to which Lessee shall be entitled as hereinafter in this Section 15(d) provided, plus the amount of any deficiency between the net proceeds of such sale and the Termination Value for the Airframe or such Engine or part thereof, computed as of the date of such sale; provided that if the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, if and so long as it shall have paid in full all Rent otherwise payable by it hereunder or pursuant hereto, be entitled to a credit against the amounts payable by it pursuant to this Section 15(d) in an amount equal to the lesser of the Unearned Advance Basic Rent as of the Termination Date and the amount, if any, by which such net proceeds of such sale exceed such Termination Value; and provided, further, that in the event that the amount calculated pursuant to this sentence to be credited exceeds the amount payable by Lessee pursuant to this Section 15(d) and any other amounts payable by Lessee hereunder as a result of the applicable Event of Default or the exercise of Lessor's remedies with respect thereto, the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee; and

(e) Lessor may rescind this Lease as to the Airframe and any or all Engines, or may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action or actions, either at law or in equity, to enforce the terms or to recover damages for the breach hereof.

In addition, Lessee shall be liable, except as otherwise provided in paragraphs (c) and (d) above and without limiting the effect of the penultimate sentence of Section 3(c), without duplication of any amounts payable hereunder, for any and all unpaid Rent due hereunder before, after or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the retaking or return of the Airframe or any Engine in accordance with the terms of Section 5 or in placing such Airframe or Engine in the condition and airworthiness required by such Section; provided that, if Lessee returns or surrenders possession of all or any part of the Airframe or any Engine in accordance with this Section 15 and Lessor does not within 365 days after the date of such return or surrender exercise its rights under paragraph (c) or (d) above with respect to such Airframe or Engine or part thereof, there shall be deducted from each payment of Basic Rent becoming due after the expiration of such 365-day period an amount equal to the quotient obtained by dividing the aggregate fair market rental value (computed as hereafter provided in this Section 15) of such Airframe or Engine or part thereof, for the remainder of the Term after the expiration of such 365-day period (computed as of the date of such expiration), by the number of Basic Rent installments remaining with respect to the Aircraft after the expiration of such 365-day period to the end of the Term; and provided, further, that Lessor and Lessee agree that, notwithstanding anything to the contrary set forth in this Lease, the Trust Indenture, the Participation Agreement, the Tax Indemnity Agreement or any other document or instrument relating hereto or thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of the Break Amount, if any, payable with respect to the Certificates as a result of (x) a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (y) an Indenture Default that does not also constitute an Event of Default. For purposes of paragraph (c) above and the preceding sentence, the "aggregate fair market rental value" or the "fair market sales value" of the Airframe or any Engine or any part thereof shall be as specified in an Independent Appraisal. At any sale of the Airframe or any Engine or part thereof pursuant to this Section 15, Lessor

or any Participant may bid for and purchase such property. Except as otherwise expressly provided above, no remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

Section 16. Single Transaction. Lessor and Lessee agree that the transactions contemplated by this Lease, the Participation Agreement, the Tax Indemnity Agreement, the other Operative Documents and the Rent Schedule are intended to and shall be construed to constitute one transaction. Lessee and Lessor hereby acknowledge that this Lease is a "lease" for purposes of Section 1110 of the Bankruptcy Code. So long as said Section 1110, or any successor or comparable provision affording protection to lessors of aircraft from the automatic stay under the Bankruptcy Code (then in effect) is in effect, Lessee hereby agrees that it will not, in connection with any bankruptcy proceeding involving Lessee, take a position in the United States Bankruptcy Court that is inconsistent with Lessor's rights under said Section 1110 or said successor or comparable provision.

Section 17. Further Assurances; Financial Information. Forthwith upon the execution and delivery of each Lease Supplement and Trust Agreement and Indenture Supplement, Lessee will cause such Lease Supplement and Trust Agreement and Indenture Supplement (and, in the case of the initial Lease Supplement and Trust Agreement and Indenture Supplement with respect to the Aircraft, this Lease, the Trust Indenture and the Trust Agreement) to be duly filed and recorded in accordance with the Federal Aviation Act or the applicable government of registry of the Aircraft if the Aircraft has been registered in another jurisdiction pursuant to Section 7(a). In addition, each of Lessor and Lessee will promptly and duly execute and deliver to the other party hereto such further documents and assurances and take such further action as such other party may from time to time reasonably request in order effectively to carry out the intent and purpose of this Lease, including, without limitation, if requested

by Lessor, the execution and delivery of supplements or amendments hereto or, in the case of Lessor, to the Trust Indenture, in recordable form, subjecting to this Lease and, in the case of Lessor, to the Trust Indenture, any Replacement Airframe or Replacement Engine and the recording or filing of counterparts hereof or thereof, in accordance with the laws of such jurisdictions as Lessor may from time to time deem advisable; provided that this sentence is not intended to impose upon Lessee any additional liabilities not otherwise contemplated by this Lease and the Participation Agreement. Lessee also agrees to furnish Lessor, the Owner Participant, the Original Loan Participant and the Indenture Trustee (i) within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income and cash flows for such period, (ii) within 120 days after the close of each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income and cash flows for such fiscal year, as certified by independent public accountants, (iii) within 120 days after the close of each fiscal year of Lessee, a certificate of Lessee, signed by a Responsible Officer of Lessee and addressed to Lessor, the Indenture Trustee, the Original Loan Participant and the Owner Participant, to the effect that the signer has reviewed the relevant terms of this Lease and the Participation Agreement and has made, or caused to be made under his supervision, a review of the transactions and condition of Lessee during the accounting period covered by the financial statements referred to in clause (ii) above, and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Lessee has taken or is taking or proposes to take with respect thereto, and (iv) from time to time such other non-confidential information as Lessor or the Indenture Trustee may reasonably request.

Section 18. Notices. All notices required under the terms and provisions of this Lease shall be in English and in writing, and any such notice may be given by United States mail, courier service, telegram, telex, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered (i) if to Lessee, to P.O. Box 619616, Dallas/Fort Worth International Airport, Texas 75261-9616, Attention: Treasurer, or at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, Attention: Treasurer, Telex: 4630158, Facsimile: (817) 967-4318, Telephone: (817) 963-1234 or to such other address as Lessee shall from time to time designate in writing to Lessor, (ii) if to Lessor, to Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-2), Telex: 835437, Answerback: WILM TR, Facsimile: (302) 651-8464, Telephone: (302) 651-1000, or to such other address as Lessor shall from time to time designate in writing to Lessee, (iii) if to the Owner Participant or the Original Loan Participant, to their respective addresses set forth on the signature pages of the Participation Agreement, or to such other address as the Owner Participant or any Loan Participant shall from time to time designate in writing to Lessee and Lessor, and (iv) if to the Indenture Trustee, to 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-2), Facsimile: (404) 607-6534, Telephone: (404) 607-4680, or such other address as the Indenture Trustee shall from time to time designate in writing to Lessor and Lessee. Prior to the discharge of the lien of the Trust Indenture, Lessee shall furnish the Indenture Trustee directly with a copy of each report, notice, request, demand, certificate, financial statement or other instrument or document furnished to Lessor hereunder.

Section 19. No Setoff, Counterclaim, Etc. This Lease is a net lease and it is intended that Lessee shall pay all costs and expenses of every character whether seen or unforeseen, ordinary or extraordinary, or structural or nonstructural in connection with the use, operation, maintenance, repair and reconstruction of the Airframe and each Engine by Lessee, including the costs and expenses particularly set forth in this Lease. Lessee's obligation to pay all Rent payable hereunder shall, subject to Section 3(f) and the penultimate sentence of Section 3(c), be

absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, any Participant, the Indenture Trustee or anyone else for any reason whatsoever, (ii) any defect in the title, airworthiness, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, the Aircraft, or any interruption or cessation in or prohibition of the use or possession thereof by Lessee for any reason whatsoever, (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or any other Person or (iv) any other circumstance, happening or event whatsoever, whether or not unforeseen or similar to any of the foregoing. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, Lessee nonetheless agrees, subject to Section 3(f), to pay to Lessor an amount equal to each Basic Rent and Supplemental Rent payment under Section 3 at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall be final as to Lessor and Lessee, and Lessee will not seek to recover all or any part of any such payment of Rent from Lessor or from the Indenture Trustee for any reason whatsoever; provided that nothing in this sentence shall be construed to modify or limit in any way Lessee's rights under Section 3(f) and the penultimate sentence of Section 3(c) or its rights to rebate under Section 9(b), 9(d), 15(c) or 15(d).

Section 20. Renewal Options; Purchase Options. (a) Renewal Options. Lessee shall have the right to extend this Lease with respect to the Aircraft for up to five additional periods of one year each (each such period being hereinafter referred to as a "Renewal Term"), each commencing at the end of the Term or a Renewal Term. Such option to renew shall be exercised upon irrevocable written notice from Lessee to Lessor given not less than 120 days prior to the commencement of the first day of each Renewal Term and if no Event of Default shall have occurred and be continuing on such date, then this Lease

shall be extended for the additional period of such Renewal Term on the same conditions provided for herein, and upon such extension, the word "Term" whenever used herein shall be deemed to refer, unless the context otherwise requires, to such Renewal Term; provided that the rental payable during such Renewal Term shall be at a rental rate equal to (i) in the case of the first Renewal Term the lesser of (x) the Renewal Term Rate and (y) the fair market rental value for the Aircraft determined within 90 days after such election by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal, and (ii) in the case of any Renewal Term thereafter, the fair market rental value of the Aircraft determined within 90 days after such election by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal; and provided, further, that the provisions of Section 9 shall not be applicable during any Renewal Term. The amounts which are payable during any such Renewal Term in respect of Termination Value as used in Section 15 and Stipulated Loss Value with respect to the Aircraft shall be determined on the basis of the fair market sales value of the Aircraft as of the commencement of such Renewal Term, amortized on a straight-line basis over such Renewal Term to the fair market sales value of the Aircraft as of the expiration of such Renewal Term, as such fair market sales value in each case is determined prior to the commencement of such Renewal Term by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, as determined by an Independent Appraisal.

(b) Special Purchase Option. On [July 9, 2012], or, if such date is not a Business Day, on the next succeeding Business Day (the "Special Purchase Option Date"), Lessee shall have the right, at its option, to purchase the Aircraft. Such option to purchase the Aircraft shall be exercised irrevocably upon written notice from Lessee to Lessor given not less than 120 days prior to the Special Purchase Option Date. In the event that Lessee shall have so elected to purchase the Aircraft, on the Special Purchase Option Date, (x) Lessee shall pay the Basic Rent installment due on the Special Purchase Option Date (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), and at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), (1) an amount determined by multiplying

Lessor's Cost for the Aircraft by the Special Purchase Price Percentage (the "Special Purchase Price"), plus (2) all Supplemental Rent (including, without limitation, the Break Amount, if any, on the Certificates) due and owing on such Special Purchase Option Date, plus (3) all Basic Rent due prior to and unpaid on such Special Purchase Option Date, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates (including, without limitation, any scheduled payment of principal of or accrued interest on the Certificates due and payable on the Special Purchase Option Date but only to the extent that any Basic Rent installment payable by Lessee pursuant to clause (x) above or previously paid pursuant to this Lease does not cover such scheduled payment of principal or accrued interest on the Certificates and excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Purchase Option Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee in its individual capacity) in accordance with Section 2.16 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Purchase Price over an amount equal to the sum of the principal of, and any accrued and unpaid interest on (except that such unpaid interest, for purposes of this Section 20(b), shall be deemed to have accrued at the Assumed Debt Rate), the outstanding Certificates on such Special Purchase Option Date, after taking into account any payments of principal or interest made in respect of the outstanding Certificates on such Special Purchase Option Date, and (y) Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates as provided for above, Lessor will request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the Lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(c) Purchase Option. Lessee shall have the right, at its option, at the expiration of the Term or any Renewal Term, to elect to purchase the Aircraft at a price equal to the fair market sales value of the Aircraft, as determined as provided below. Such option to purchase shall be exercised irrevocably upon written notice from Lessee to Lessor given not less than 120 days prior to the last day of the Term or any Renewal Term, as the case may be. If Lessee shall have so elected to purchase the Aircraft, Lessor shall transfer without recourse or warranty (except as to Lessor's Liens) the Aircraft to Lessee, against payment by Lessee of the applicable purchase price and any other amounts due hereunder in immediately available funds. In order to enable Lessee to determine whether it wishes to exercise such election to purchase, the fair market sales value for the Aircraft shall, at Lessee's request made in sufficient time to permit such determination, be determined not less than 150 days prior to the end of the Term or any Renewal Term by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal.

Section 21. Successor Owner Trustee. Lessee agrees that, in the case of the appointment of any successor Owner Trustee pursuant to the terms of the Trust Agreement and Section 9(d) of the Participation Agreement, such successor Owner Trustee shall succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor of the Aircraft for all purposes without in any way altering the terms of this Lease or Lessee's obligations hereunder. Lessee further agrees that in the case of the appointment of any additional trustee to act as co-trustee or as a separate trustee pursuant to the terms of the Trust Agreement and Section 9(d) of the Participation Agreement, such additional trustee shall acquire such rights, power and title of Lessor hereunder as are specified in the instruments appointing such additional trustee, without in any way altering the terms of this Lease or Lessee's obligations hereunder. One such appointment and designation of a successor or additional Owner Trustee shall not exhaust the right to appoint and designate further successor or additional Owner Trustees pursuant to the Trust Agreement and Section 9(d) of the Participation Agreement, but such right may be exercised repeatedly as long as this Lease shall be in effect.

## Section 22. Security for Lessor's Obligation to Loan

Participants. In order to secure the indebtedness evidenced by the Certificates, Lessor has agreed in the Trust Indenture, among other things, to assign to the Indenture Trustee this Lease and the Lease Supplements and to mortgage in favor of the Indenture Trustee all of Lessor's right, title and interest in and to the Aircraft, subject to the reservations and conditions therein set forth. Lessee hereby consents to such assignment and to the creation of such mortgage and security interest and acknowledges receipt of copies of the Trust Indenture and the Trust Agreement and Indenture Supplement, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent under any other circumstances. Until the lien of the Trust Indenture has been released, (a) Lessee shall make all payments of Rent and all other amounts payable hereunder (in each case, other than Excepted Property) to the Indenture Trustee as provided in Section 3(d) and the right of the Indenture Trustee to receive such payment shall, subject to Section 3(f), not, without limiting the provisions of Section 19 hereof, be subject to any defense, counterclaim, setoff or other right or claim of any kind which Lessee may be able to assert against Lessor (in its individual or trust capacity), the Indenture Trustee (in its individual or trust capacity), any Participant or any other Person in any action brought by any thereof on this Lease, (b) all rights of Lessor with respect to this Lease, the Aircraft, the Airframe or any Engine or any Part thereof, to the extent set forth in and subject in each case to the exceptions set forth in the Trust Indenture, shall be exercisable by the Indenture Trustee and (c) all documents, notices, certificates and opinions of counsel sent by Lessee to the Owner Trustee will also be sent to the Indenture Trustee. To the extent, if any, that this Lease Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the original counterpart, which shall be identified as the counterpart containing the receipt therefor executed by the Indenture Trustee on the signature page thereof.

Section 23. Lessor's Right to Perform for Lessee. If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor may, on behalf of Lessee and upon prior notice to Lessee, itself make such payment or undertake such performance or compliance. The amount of any such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment, performance or compliance together with interest thereon, at the Overdue Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand.

Section 24. Maintenance of Certain Engines. Notwithstanding anything to the contrary contained herein, an aircraft engine which is not an Engine, but which is installed on the Airframe, shall be maintained in accordance with Section 7(a).

Section 25. Investment of Security Funds; Miscellaneous. Any moneys required to be paid to or retained by Lessor which are not required to be paid to Lessee pursuant to Section 10(f) or 11(b) solely because an Event of Default hereunder (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred, or which are required to be paid to Lessee pursuant to Section 10(c) or 11(b) after completion of a replacement to be made pursuant to Section 10(a) shall, until paid to Lessee as provided in Section 10 or 11 or applied as provided herein or in the Trust Agreement and Trust Indenture, be invested in Permitted Investments by Lessor (unless the Trust Indenture shall not have been discharged, in which case, by the Indenture Trustee as provided in Section 3.07 of the Trust Indenture) from time to time as directed in writing by Lessee. There shall, so long as no Event of Default shall have occurred or be continuing, be promptly remitted to Lessee as a rebate of Rent any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) and Lessee will promptly pay to Lessor or the Indenture Trustee, as the case may be, on demand, as Supplemental Rent the amount of any loss realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment), such amount to be disposed of in accordance with the terms of the Trust Agreement and the Trust Indenture.

Section 26. Concerning the Lessor. Wilmington Trust Company is entering into this Lease Agreement solely in its capacity as Owner Trustee under the Trust Agreement and not in its individual capacity (except as expressly stated herein) and in no case shall Wilmington Trust Company (or any entity acting as successor Owner Trustee under the Trust Agreement) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of Lessor hereunder; provided, however, that Wilmington Trust Company (or any such successor Owner Trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of its covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

Section 27. Sublessee's Performance and Rights. Any obligation imposed on Lessee in this Lease shall require only that Lessee perform or cause to be performed such obligation, even if stated herein as a direct obligation, and the performance of any such obligation by any permitted assignee, sublessee or transferee under an assignment, sublease or transfer agreement then in effect shall constitute performance by Lessee and to the extent of such performance discharge such obligation by Lessee. Except as otherwise expressly provided herein, any right granted to Lessee in this Lease shall grant Lessee the right to exercise such right or permit such right to be exercised by any such assignee, sublessee or transferee; provided that no such assignee, sublessee or transferee shall be permitted to exercise the self-insurance rights of Lessee set forth in Section 11. The inclusion of specific references to obligations or rights of any such assignee, sublessee or transferee in certain provisions of this Lease shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in respect of which specific reference to any such assignee, sublessee or transferee has not been made in this Lease.

Section 28. Miscellaneous. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such

provision in any other jurisdiction. This Lease may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered, subject to Section 22, shall be an original, but all such counterparts shall together constitute but one and the same instrument. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision prohibited or unenforceable in any respect. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought and no provision referring to the Owner Participant or requiring the consent or participation of or notice to the Owner Participant may be waived, modified, supplemented, terminated or amended without the express written consent of the Owner Participant. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in the Aircraft except as a lessee only. To the extent consistent with the provisions of Title 11 U.S.C. Section 1110, or any analogous section of the Federal bankruptcy laws, as amended from time to time, it is hereby expressly agreed that, notwithstanding any other provisions of the Federal bankruptcy laws, as amended from time to time, the title of Lessor to the Aircraft and any right of Lessor to take possession of the Aircraft in compliance with the provisions of this Lease shall not be affected by the provisions of the Federal bankruptcy laws, as amended from time to time. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all references herein to numbered sections, unless otherwise indicated, are to sections of this Lease.

THIS LEASE AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Agreement to be duly executed as of the day and year first above written.

LESSOR:

WILMINGTON TRUST COMPANY,  
not in its individual capacity,  
except as expressly stated herein,  
but solely as Owner Trustee

By Carolyn C. Daniels  
Senior Financial Services  
Officer

LESSEE:

AMERICAN AIRLINES, INC.

By Jeffery M. Jackson  
Vice President and Treasurer

EXHIBIT A TO  
LEASE AGREEMENT

LEASE SUPPLEMENT NO. \_\_\_ (AA 1992 AF-2), dated \_\_\_\_\_, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee under that certain Trust Agreement (AA 1992 AF-2), dated as of July 1, 1992, between AT&T Credit Corporation, a Delaware corporation, and such Owner Trustee (such Owner Trustee, in its capacity as such Owner Trustee, being herein called "Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation ("Lessee").

## W I T N E S S E T H:

WHEREAS, Lessor and Lessee have heretofore entered into that certain Lease Agreement (AA 1992 AF-2), dated as of July 1, 1992 (herein called the "Lease Agreement" and the defined terms therein being hereinafter used with the same meanings), providing for the execution and delivery from time to time of Lease Supplements each substantially in the form hereof for the purpose of leasing specific Aircraft under the Lease Agreement as and when delivered by Lessor to Lessee in accordance with the terms thereof.

\*WHEREAS, the Lease Agreement relates to the aircraft and engines described below, and counterparts of the Lease Agreement are attached hereto and made a part hereof and this Lease Supplement, together with such attachments, is being filed for recordation on the date hereof with the Federal Aviation Administration as one document.

\*\*WHEREAS, the Lease Agreement relates to the aircraft and engines described below, and a counterpart of the Lease Agreement, attached to and made a part of Lease Supplement No. 1 (AA 1992 AF-2), dated July 9, 1992, to the Lease Agreement, has been recorded by the Federal Aviation Administration on \_\_\_\_\_, 1992 as one document and assigned Conveyance No. \_\_\_\_\_.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

\* This language for Lease Supplement No. 1.

\*\* This language for other Lease Supplements.

Exhibit A  
AF-2

1. Lessor hereby delivers and leases to Lessee under the Lease Agreement, and Lessee hereby accepts and leases from Lessor under the Lease Agreement, the following described Boeing 767-323ER Aircraft which Aircraft as of the date hereof consists of the following components:

(i) Boeing 767-323ER airframe: U.S. Identification Number N7375A; Manufacturer's Serial No. 25202; and

(ii) two (2) General Electric CF6-80C2B6 engines relating to such airframe and bearing, respectively, Manufacturer's Serial Nos. 695539 and 695533 (each of which engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower).

Lessee confirms that Lessee has accepted delivery of the Aircraft for all purposes hereof and of the Lease Agreement, as being airworthy, in good working order and repair and without defect or inherent vice in title, condition, design, operation or fitness for use, or suitability for a particular purpose; provided, however, that nothing contained herein or in the Lease Agreement shall in any way diminish or otherwise affect any right Lessor or Lessee may have with respect to the Aircraft against the Manufacturer or any other supplier or subcontractor of the Manufacturer, under the Purchase Agreement or otherwise.

2. The Delivery Date of the Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. The Term for the Aircraft shall commence on the Delivery Date and shall end on July 9, 2017.

4. All of the terms and provisions of the Lease Agreement are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.

5. This Lease Supplement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Lease Supplement including a signature page executed by each of the parties hereto shall be an original counterpart of the Lease Supplement,

but all of such counterparts together shall constitute one instrument.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Supplement to be duly executed on the date first above written.

LESSOR:

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely as  
Owner Trustee

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

LESSEE:

AMERICAN AIRLINES, INC.

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

CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE SUPPLEMENT OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 AF-2), DATED AS OF JULY 1, 1992, BETWEEN WILMINGTON TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 AF-2), DATED AS OF JULY 1, 1992, FOR THE BENEFIT OF THE HOLDERS OF THE CERTIFICATES REFERRED TO IN SUCH TRUST INDENTURE AND SECURITY AGREEMENT. THIS LEASE SUPPLEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. ONLY THAT COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THIS RECEIPT THEREFOR EXECUTED BY NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF AND NO SECURITY INTEREST IN THE LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OF ANY COUNTERPART OTHER THAN THIS EXECUTED ORIGINAL COUNTERPART. SEE SECTION 22 OF THE LEASE AGREEMENT FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Receipt of this original counterpart of the foregoing Lease Supplement is hereby acknowledged on this \_\_\_\_ day of July, 1992.

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION,  
as Indenture Trustee

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

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Exhibit A  
AF-2

LIST OF PERMITTED COUNTRIES

NORTH AMERICA

Canada  
Mexico

ASIA/OCEANIA

Japan  
India  
Australia  
New Zealand

EUROPE

Austria  
Federal Republic of Germany  
Finland  
United Kingdom  
Spain (including Canary Islands)

Exhibit B  
AF-2

FORM OF  
FIRST AMENDMENT TO  
LEASE AGREEMENT (AA 1992 AF-2)  
(Redesignated AA 1995 PTC Series AB)

Dated as of June 15, 1995

between

WILMINGTON TRUST COMPANY,

not in its individual  
capacity but solely  
as Owner Trustee, as  
Lessor

and

AMERICAN AIRLINES, INC.,

as Lessee

One Boeing 767-323ER Aircraft  
N7375A

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Series AB

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FIRST AMENDMENT TO LEASE  
AGREEMENT (AA 1992 AF-2)  
(Redesignated AA 1995 PTC Series AB)

This FIRST AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Lease Amendment"), dated as of June 15, 1995, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, with its principal place of business at Rodney Square North, 1101 N. Market Street, Wilmington, Delaware 19890-0001, not in its individual capacity, except as expressly stated herein and in the Lease referred to below, but solely as Owner Trustee under a certain Trust Agreement (AA 1992 AF-2), dated as of July 1, 1992, and its permitted successors and assigns ("Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation with its principal place of business at Dallas/Fort Worth International Airport, Texas 75261-9616 and its permitted successors and assigns ("Lessee").

W I T N E S S E T H:

WHEREAS, Lessee, the Owner Participant (as defined in the Original Participation Agreement referred to below, the "Owner Participant"), ABN AMRO Bank N.V., Houston Agency ("ABN") as Original Loan Participant, Lessor and NationsBank of Georgia, National Association, a national banking association (the "Indenture Trustee"), entered into that certain Participation Agreement (AA 1992 AF-2), dated as of July 1, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N7375A and Manufacturer's Serial Number 25202 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and the Indenture Trustee entered into that certain Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of July 1, 1992 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-2), dated July 9, 1992, the "Original Indenture"), pursuant to which the Lessor issued to ABN a certificate substantially in the form set forth in Section 2.01 of such Original Indenture as evidence of the loan then being made by ABN;

Series AB

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and Lessee entered into a Lease Agreement (AA 1992 AF-2) relating to the Aircraft, dated as of July 1, 1992 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 AF-2), dated July 9, 1992, the "Lease"; capitalized terms used herein without definition having the meanings set forth therefor in the Lease), whereby, subject to the terms and conditions set forth therein, Lessor agreed to lease to Lessee, and Lessee agreed to lease from Lessor, the Aircraft on its Delivery Date;

WHEREAS, a counterpart of the Lease was recorded by the Federal Aviation Administration on July 10, 1992 and assigned Conveyance No. BB19342;

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the Loan Certificates (as such term is defined in the Original Indenture) pursuant to Section 2.12 of the Original Indenture as part of a refunding or refinancing operation and Section 3(e) of the Lease contemplates the adjustment of Rent in the event of such a refunding or refinancing operation; and the Lessee has given its written notice to the Owner Participant and the Owner Trustee, pursuant to such Section 20, of its desire to implement such a refunding or refinancing operation;

WHEREAS, in order to accomplish such redemption (i) Lessee, the Owner Trustee, the Indenture Trustee, ABN and State Street Bank and Trust Company of Connecticut, National Association (the "Loan Trustee"), have entered into the Instrument of Resignation, Appointment and Acceptance, dated as of the date hereof (the "Instrument of Resignation"), pursuant to which the Indenture Trustee has resigned under the Original Indenture, and ABN, Lessee and the Owner Trustee have accepted such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee, (ii) Lessee, the Owner Participant, Lessor, the Indenture Trustee, ABN, State Street Bank and Trust Company of Connecticut, National Association, as Trustee (in such capacity, the "Pass Through Trustee") under one or more separate Pass Through Trust Supplements (entered into pursuant to the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between the Lessee and the Pass Through Trustee) with Lessee, each dated as of the date hereof, and the Loan Trustee have entered into a Refunding Agreement (AA 1995 PTC Series AB), dated as of June 2, 1995 (the "Refunding Agreement"), and (iii) Lessor and the Loan Trustee have

amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB) (such amended and restated Indenture, the "Trust Indenture" or the "Indenture"); and

WHEREAS, in order to carry out the provisions of Section 20 of the Original Participation Agreement and the provisions of the Refunding Agreement, including, without limitation, Section 6 thereof, Lessor and Lessee wish to amend the Lease by entering into this Lease Amendment;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

Section 1. Amendment to Section 1 of the Lease. (a) Section 1 of the Lease is amended by deleting the definitions of "Break Amount" and "Debt Rate".

(b) The definition of "Certificate" is amended by inserting the words "provided that from and after the Refunding Date (as defined in the Refunding Agreement) the term "Certificate" shall mean and include any Equipment Note" between the words "Trust Indenture" and ".".

(c) The definition of "Event of Loss" is amended by deleting the word "Certificates" and substituting therefor the words "Equipment Notes", and by deleting the words "the date on which notice of payment of the Certificates is given pursuant to Section 2.14 of the Trust Indenture" and substituting therefor the words "the date of any notice of redemption of Equipment Notes relating to the occurrence of any such event".

(d) The definition of "Indenture Trustee" is amended by inserting the words ", including (upon the execution of the Instrument of Resignation, as defined in the Refunding Agreement) State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee" between the words "Trust Indenture" and ".".

(e) The definition of "Stipulated Loss Value" is amended by deleting the words "Break Amount, if any," and substituting therefor the words "Swap Breakage Loss, if any"; and by deleting the last two sentences thereof and by deleting from the end of clause (i) of the first sentence thereof the words "as such percentage may be adjusted as provided below,".

(f) The definition of "Supplemental Rent" is amended by deleting the words "Break Amount, if any," and substituting therefor the words "Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be".

(g) The definition of "Tax Indemnity Agreement" is amended by adding at the end thereof the phrase ", as the same may be modified, amended or supplemented from time to time".

(h) The definition of "Termination Value" is amended by deleting the words "Break Amount, if any" and substituting therefor the words "Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be,"; and by deleting the last two sentences thereof and by deleting from the first sentence thereof the words "as such percentage may be adjusted as provided below".

(i) The definition of "Trustee's Liens" is amended by deleting the word "5.04" and substituting therefor the word "9.09".

(j) The definitions of "Business Day", "Federal Aviation Act", "Indenture", "Lease Period", "Lease Period Date", "Loan Certificate", "Loan Participant", "Operative Documents", "Overdue Rate", "Rent Schedule", "Transaction Costs" and "Trust Indenture" contained in Section 1 of the Lease are amended in their entirety to read as follows:

"Business Day" means (i) if such day relates to a payment or prepayment of principal of or interest on the Equipment Notes (or Basic Rent the proceeds of which will be utilized for such purpose) or a notice by Lessor with respect to any such payment or prepayment, any day on which dealings in Dollar deposits are carried out in the London interbank market, other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Owner Trustee is located, the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds and (ii) in all other cases, any day other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the prin-

principal corporate trust office of the Owner Trustee is located or the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds.

"Federal Aviation Act" means the Federal Aviation Act of 1958, as amended, including as repealed and restated in subtitle VII of Title 49 of the United States Code. References in any Operative Document to any section of the Federal Aviation Act shall be deemed to refer to the corresponding provision of Title 49 of the United States Code.

"Indenture" means the Trust Indenture.

"Lease Period" means (i) the period from June 15, 1995 to and including July 1, 1995, (ii) each of forty-four consecutive semi-annual periods thereafter, the first such semi-annual period commencing and including July 2, 1995 and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than July 2, 2017), and (iii) the period from and including July 2, 2017 to but excluding the Base Lease Expiration Date.

"Lease Period Date" means July 2, 1995 and each succeeding January 2 and July 2 to and including July 2, 2017, together with the Base Lease Expiration Date; provided that during any Renewal Term, the "Lease Period Date" shall include each succeeding January 9 and July 9 during such Renewal Term.

"Loan Certificate" has the meaning set forth for the term "Certificate" herein.

"Loan Participant" has the meaning specified in the Trust Indenture.

"Operative Documents" means this Agreement, each Lease Supplement, the Participation Agreement, the Trust Indenture, the Equipment Notes, each Trust Agreement and Indenture Supplement, the Trust Agreement, the Bills of Sale, the Purchase Agreement Assignment, the Refunding Agreement, the Rent Schedule and the Tax Indemnity Agreement.

"Overdue Rate" means (i) with respect to the portion of any payment of Rent that would be required to be distributed to a Loan Participant pursuant to the terms of the Trust Indenture, the Past Due Rate applicable to the Equipment Notes held by such Loan Participant and ii) with respect to the portion of any payment of Rent that would be required to be distributed to Lessor pursuant to the terms of the Trust Indenture or would be payable pursuant to the terms of any of the Operative Documents directly to Lessor, the Owner Participant, or the Owner Trustee in its individual capacity, the lesser of 2% over the Base Rate and the maximum interest rate from time to time permitted by law.

"Rent Schedule" means the Rent Schedule (AA 1992 AF-2), dated as of July 1, 1992, among Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee named therein, as amended and restated as the Amended and Restated Rent Schedule (AA 1995 PTC Series AB), dated as of the date hereof, among Lessee, the Owner Participant, the Owner Trustee, the Loan Trustee and the Indenture Trustee, as the same may be further modified, supplemented or amended from time to time pursuant to the applicable provisions of the Operative Documents.

"Transaction Costs" has the meaning set forth in Section 3(e) hereof.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of July 1, 1992, between Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee) and the Indenture Trustee named therein, as amended and restated as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of the date hereof, as the same may be further modified, supplemented or amended from time to time pursuant to the applicable provisions thereof.

(k) The following definitions of "Average Certificate Rate", "Bank Equipment Note", "Equipment Note", "Loan Trustee", "Make-Whole Amount", "Outstanding", "Pass Through Certificates", "Pass Through Equipment Note", "Pass Through Trust", "Pass Through Trust Agreement", "Pass Through Trust Supplement", "Pass Through Trustee", "Refunding Agreement",

"Swap Breakage Loss" and "Termination Contract Date" shall be inserted in Section 1 of the Lease in alphabetical order:

"Average Certificate Rate" means the weighted average interest rate applicable to the Equipment Notes at the time outstanding, computed on the basis of a 360-day year of twelve 30-day months.

"Bank Equipment Note" has the meaning specified in the Trust Indenture.

"Equipment Note" has the meaning specified in the Trust Indenture.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association, as successor trustee to the Indenture Trustee, and each other Person that may from time to time be acting as loan trustee under the Trust Indenture.

"Make-Whole Amount" means the Make-Whole Amount (as defined in the Trust Indenture), if any, payable pursuant to Section 6.01(b) of the Trust Indenture. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Make-Whole Amount shall be payable solely with respect to the Pass Through Equipment Notes, and Make-Whole Amount shall not be calculated or payable with respect to the Bank Equipment Notes.

"Outstanding" or "outstanding", when used with respect to Equipment Notes, has the meaning set forth in the Trust Indenture.

"Pass Through Certificates" means any of the Pass Through Certificates issued pursuant to any of the Pass Through Trust Supplements.

"Pass Through Equipment Note" has the meaning specified in the Trust Indenture.

"Pass Through Trust" means each Pass Through Trust created pursuant to a Pass Through Trust Supplement.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between Lessee and the Pass Through Trustee, as originally executed and as modified, sup-

plemented or amended pursuant to the applicable provisions thereof.

"Pass Through Trust Supplement" means Pass Through Trust Supplement No. 1, dated as of June 15, 1995, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, a national banking association, in its capacity as Trustee under the Pass Through Trust Supplement, and each other person which may from time to time be acting as successor trustee under the Pass Through Trust Supplement.

"Refunding Agreement" means that certain Refunding Agreement (AA 1995 PTC Series AB) dated as of June 2, 1995, among the Lessee, the Owner Participant, the Lessor, the Initial Bank Lender, the Pass Through Trustee under each Pass Through Trust Supplement, the Original Loan Participant, the Indenture Trustee and the Loan Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Swap Breakage Loss" means Swap Breakage Loss (as defined in the Refunding Agreement), if any. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Swap Breakage Loss shall be payable solely with respect to the Bank Equipment Notes, and Swap Breakage Loss shall not be calculated or payable with respect to the Pass Through Equipment Notes.

"Termination Contract Date" means the thirtieth day preceding any Termination Date or, if such day is not a Business Day, the next succeeding Business Day.

Section 2. Amendment to Section 3 of the Lease. (a) Section 3(b) is amended by deleting the word "semiannual" in the first sentence thereof, and by deleting the second paragraph thereof.

(b) The penultimate paragraph of Section 3(b) of the Lease is amended by inserting the word "Outstanding" between the words "and interest on the" and "Certificates required to be paid".

(c) Section 3(c) of the Lease is amended in its entirety to read as follows:

"(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. In addition, Lessee will pay as Supplemental Rent i) on demand, an amount equal to interest at the Overdue Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due for the period until the same shall be paid, (ii) (A) in the case of any redemption or purchase of Equipment Notes requested or consented to by the Lessee pursuant to Section 17 of the Participation Agreement, the Make-Whole Amount, if any, and payable pursuant to Section 6.01(b) of the Trust Indenture and the Swap Breakage Loss, if any, incurred by each Bank Lender or (B) in the case of an acceleration or redemption (or purchase in lieu of redemption) of the Equipment Notes, in either case resulting from an Indenture Event of Default that also constitutes an Event of Default, the Swap Breakage Loss, if any, incurred by each Bank Lender; and iii) all Additional Costs payable by Lessor under Section 14(a) of the Refunding Agreement; provided that notwithstanding anything to the contrary set forth in any Operative Document or any document or instrument relating thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of (x) Make-Whole Amount, if any, payable thereon as a result of a redemption or purchase of the Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of Lessee or (y) an Indenture Default that does not also constitute an Event of Default. All Supplemental Rent to be paid pursuant to this Section 3(c) shall be payable in the type of funds and in the manner set forth in Section 3(d)."

(d) Section 3(d) of the Lease is amended by deleting the words "Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-2)" and substituting therefor the words "Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1992 AF-2) (redesignated AA 1995 PTC Series AB)"; by deleting the words "at the offices of the Indenture Trustee at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-2), or at such other location in the United States as the Indenture Trustee may otherwise direct" and substituting therefor the words "to the account of the Loan Trustee at State Street Bank and Trust Company, Boston, Massachusetts, or at such other location in the United States as the Loan Trustee may otherwise direct"; and by deleting the proviso in the last sentence and inserting the following in lieu thereof: "; provided that, with respect to any payment of Basic Rent for which the proceeds will be utilized to pay principal of or interest on any Equipment Notes, if by virtue of such extension the date of payment would fall in the next succeeding calendar month, then such sum shall be payable on the next preceding Business Day".

(e) Section 3(e) of the Lease is amended by deleting the words "the Transaction Costs (as such term is defined in Section 18(a) of the Participation Agreement)" and by substituting the words "the expenses paid by the Owner Participant pursuant to Section 12 of the Refunding Agreement and Section 9(a) of the Participation Agreement (except for any fees and out-of-pocket expenses paid or payable to any financial advisor to the Owner Participant) and such other expenses as the Lessee shall expressly agree in writing constitute "Transaction Costs" hereunder (the "Transaction Costs)"; and by deleting the figure "0.5%" and substituting therefor the figure "1.0127%", and by deleting therefrom the words "or Section 20, as applicable" and "or Section 20" each time such words appear.

Section 3. Amendment to Section 6 of the Lease. Clause (i) of Section 6 of the Lease is amended in its entirety to read as follows:

"(i) the respective rights of Lessor and Lessee as herein provided, the Lien created under the Trust Indenture, the rights of Lessor under the Purchase Agreement Assignment and the rights of the Owner Participant, the Owner Trustee, the Indenture Trustee, each

Loan Participant and the Pass Through Trustee (in its capacity as a Loan Participant and in its capacity as Pass Through Trustee) under the Trust Agreement, the Trust Indenture, the Participation Agreement, the Refunding Agreement, the Pass Through Trust Agreement and the Pass Through Trust Supplements,".

Section 4. Amendment to Section 7 of the Lease. (a) The second sentence of Section 7(a)(i) of the Lease is amended by deleting the words "and 9(n)" and adding after the words "Participation Agreement" the words and "Section 7.02 of the Trust Indenture."

(b) Clause (ix) of Section 7(b) of the Lease is amended by deleting the words "Loan Participants" the first time such words appear and substituting therefor the words "Bank Lenders", and by deleting the words "Loan Participants" each other time such words appear and deleting the words "Indenture Trustee" in subdivision (d) of such clause (ix) and, in each case, substituting therefor the words "Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes".

(c) The penultimate proviso to Section 7(b) of the Lease is amended by deleting the words "Section 4.04" and substituting therefor the words "Section 8.03".

(d) Section 7(c) of the Lease is amended by deleting the words "NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE/MORTGAGEE" and substituting therefor "STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE, MORTGAGEE".

Section 5. Amendment to Section 9 of the Lease. Section 9 of the Lease is amended in its entirety to read as follows:

"Section 9. Voluntary Termination. (a) Right of Termination. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option (i) to terminate this Lease at any time on or after the fifth anniversary of the Delivery Date, if in Lessee's good faith determination (evidenced by a certificate of a Responsible Officer of Lessee to such effect) the Aircraft is surplus to Lessee's requirements or economically obsolete to Lessee, and (ii) at any time on or after the eighth anniversary of the Delivery Date to terminate this Lease for any reason

whatsoever, in each case by delivering to Lessor a written notice of termination specifying a proposed date of termination (the "Termination Date") which shall be a Business Day occurring not earlier than 90 days after the date of such notice, and, if the Termination Date is a Special Termination Date, whether or not Lessee is thereby electing to purchase the Aircraft on such Special Termination Date as provided in Section 9(e). The termination of this Lease shall, subject to the terms and conditions set forth in this Section 9, be effective on (i) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to sell the Aircraft, as provided below, the date of sale of the Aircraft, if any, referred to in Section 9(b), (ii) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft as provided in Section 9(d), the date of termination referred to in Section 9(d), or (iii) if Lessee has elected to purchase the Aircraft as provided in Section 9(e), the date of purchase referred to in Section 9(e). Where Lessee has not elected to purchase the Aircraft as provided for in Section 9(e), Lessor shall give Lessee irrevocable notice of its election to sell or retain the Aircraft no later than 45 days after Lessor receives the notice from Lessee referred to in the first sentence of this Section 9(a). In the event Lessor shall fail to give notice pursuant to the immediately preceding sentence, notice of its election to sell the Aircraft shall be deemed to have been given as of such forty-fifth day. Unless Lessor shall have given to Lessee a timely notice of its election to retain the Aircraft as provided in Section 9(d), Lessee (1) shall withdraw such termination notice on the Termination Contract Date if the Person who shall have submitted the highest cash bid notified by Lessee to Lessor or by Lessor or the Owner Participant to Lessee pursuant to Section 9(b) prior to the Termination Contract Date (or, with the consent of Lessor, another person who shall have submitted a bid for the purchase of the Aircraft, acceptable to Lessor and Lessee) shall not have entered into a binding contract of sale on or prior to such Termination Contract Date reasonably acceptable to the Owner Participant providing for the sale by Lessor without recourse or warranty (except as to Lessor's Liens) for cash of the Airframe and the Engines installed thereon to such Person (the Contract Purchase") (Lessor hereby agreeing, subject to Les-

essor's right to retain the Aircraft, promptly to execute and deliver any such contract of sale in the form thereof furnished by Lessee for execution and delivery and Lessee hereby agreeing to consult with the Owner Participant regarding the terms of such contract of sale and to submit the execution form thereof to the Owner Participant a reasonable period of time prior to the Termination Contract Date) and (2) may withdraw the termination notice referred to above at any time on or prior to the third Business Day prior to the Termination Contract Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, on or after the third Business Day prior to the Termination Contract Date, a notice of termination given pursuant to this Section 9(a) or such notice is deemed withdrawn pursuant to the final sentence of Section 9(b), Lessee will reimburse Lessor and the Owner Participant for any reasonable out-of-pocket expenses incurred by them in connection with the proposed sale, except Lessee shall not be obligated to reimburse Lessor or the Owner Participant for any out-of-pocket expenses to the extent Lessor shall have failed to comply with its obligations under this Section 9. Lessee shall not be entitled to exercise its right of termination provided for in this Section 9(a) more than four times during the Term (not including for purposes of this sentence any exercise by Lessee of such right of termination immediately following a failure of this Lease to be terminated by reason of Lessor's failure to comply with its obligations under this Section 9).

(b) Sale of Aircraft. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected or is deemed to have elected to sell the Aircraft pursuant to Section 9(a), Lessee will have the option of acting as non-exclusive agent for Lessor to obtain bids for the cash purchase on or prior to the Termination Date of the Aircraft. Lessor agrees to pay Lessee a commercially reasonable brokerage fee based on the then current industry practice in the event that Lessee locates the Person who purchases the Aircraft pursuant to this Section 9(b). If Lessee acts as such agent, no later than ten Business Days prior to the Termination Contract Date, Lessee shall certify to Lessor in writing the amount and terms of each cash bid received by Lessee and the name and the address of the Person submitting each such bid. Lessor may (but need not), also, at its expense (which expense, including

without limitation any broker's or finder's fees, shall be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Termination Contract Date certify to Lessee in writing the amount and terms of such bid and the name and address of the Person submitting such bid. Neither the Owner Participant, Lessee, nor any Affiliate of either may submit a bid for the Aircraft, directly or indirectly, in connection with such proposed sale. On the Termination Date (or such earlier date of sale as may be agreed to by Lessor and Lessee, which date shall thereafter be deemed the Termination Date), x) Lessee shall, subject to receipt (i) by Lessor (or, so long as the Trust Indenture shall not have been discharged, the Indenture Trustee) of the full purchase price thereof and all amounts owing to Lessor pursuant to the next sentence and ii) by the Persons entitled thereto of all unpaid Supplemental Rent due on or before the Termination Date, deliver the Aircraft at a location selected by Lessee to the Contract Purchaser (or such other purchaser acceptable to Lessor and Lessee), in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and y) Lessor shall simultaneously therewith sell, without recourse or warranty (except as to Lessor's Liens), for cash all of Lessor's right, title and interest in and to the Aircraft to such Contract Purchaser (or other purchaser). The total selling price realized at such sale shall be retained by Lessor (or, so long as the Trust Indenture shall not have been discharged, distributed by the Indenture Trustee pursuant to the terms of the Trust Indenture) and, in addition, on the Termination Date, Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), an amount equal to (I) the sum of (1) the excess, if any, of (A) the Termination Value for the Aircraft as of the Termination Date, over (B) the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person), plus 2) that amount of interest that will accrue on the principal of all Outstanding Equip-

ment Notes during the period from and including the Termination Date to but excluding the Redemption Date specified in Section 6.01 of the Trust Indenture, plus (3) all Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(b)) other than Termination Value, due and owing on the Termination Date, plus 4) (A) if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), or (B) if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, plus (5) all Basic Rent due and payable prior to the Termination Date and unpaid, less (II) any credit to which Lessee may be entitled as hereinafter in this Section 9(b) provided. Subject always to the provisions of the penultimate paragraph of Section 3(b), if the Termination Date with respect to which Termination Value is determined is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall be entitled to a credit against the amounts payable by it pursuant to this Section 9(b) in an amount equal to the lesser of x) the Unearned Advance Basic Rent as of the Termination Date, and (y) the amount, if any, by which the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person) exceeds the Termination Value for the Aircraft as of the Termination Date; provided that, in the event that the amount calculated pursuant to this sentence to be credited exceeds the amounts payable by Lessee pursuant to this Section 9(b), the Owner Participant shall be obligated to rebate an amount equal to such excess to Lessee. If on or prior to the scheduled Termination

Date no sale of the Aircraft shall have occurred and if Lessor shall not have elected to retain the Aircraft in accordance with Section 9(d) or Lessee shall not have elected to purchase the Aircraft in accordance with Section 9(e), Lessee's notice given pursuant to Section 9(a) shall be deemed to be withdrawn as of such scheduled Termination Date and this Lease shall continue in full force and effect.

(c) Certain Obligations upon Sale of Aircraft. Upon the sale of the Aircraft pursuant to and in accordance with the provisions of Section 9(b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of the Aircraft under Section 9(b), other than to transfer to the purchaser of the Aircraft (or to such purchaser and to Lessee, as the case may be), without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft against receipt of the payments provided for herein, and to pay the amounts, if any, required to be paid by Lessor under Section 9(b) or this Section 9(c), and to request the Loan Trustee upon the sale of the Aircraft pursuant to Section 9(b) to execute and deliver to such purchaser (or to such purchaser and to Lessee, as the case may be) an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. Lessor agrees to notify promptly Lessee of the appointment by Lessor of any broker or finder (other than Lessee) in connection with the sale of the Aircraft pursuant to Section 9(b) and, subject to Section 9(b), to pay the fees or commissions of any such broker or finder employed by Lessor in connection with the sale of the Aircraft pursuant to Section 9(b).

(d) Retention of Aircraft by Lessor. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft pursuant to Section 9(a), on the Termination Date specified in Lessee's termination notice, Lessor shall

pay, or cause to be paid, to the Loan Trustee in funds of the type specified in Section 3(d), an amount equal to (1) the aggregate outstanding principal amount of the Equipment Notes and all accrued interest thereon, plus (2) that amount of interest that will accrue on the principal of all Outstanding Equipment Notes during the period from and including the Termination Date to but excluding the Redemption Date specified in Section 6.01 of the Trust Indenture, plus (3) all other sums due and payable to the Loan Trustee on such Termination Date under the Trust Indenture, the Participation Agreement or such Equipment Notes. Subject to receipt by the Loan Trustee of such funds, on the Termination Date, (i) Lessee (x) shall deliver the Aircraft to Lessor in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(d)), other than Termination Value, due and owing on the Termination Date, and, if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, and all Basic Rent due and payable prior to the Termination Date and unpaid, less (B) any credit to which Lessee may be entitled as hereinafter in this Section 9(d) provided, and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed

on the Airframe, and (y) shall request the Loan Trustee to execute and deliver to Lessee an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. If the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, subject always to the provisions of the penultimate paragraph of Section 3(b), be entitled to a credit against the amounts payable by it pursuant to this Section 9(d) in an amount equal to the Unearned Advance Basic Rent as of the Termination Date; provided that in the event that the Unearned Advance Basic Rent exceeds the amount payable by Lessee pursuant to this Section 9(d), the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee. If Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) and as a result thereof this Lease shall not be terminated on a proposed Termination Date, Lessor shall thereafter no longer be entitled to exercise its election to retain the Aircraft and Lessee may at its option at any time thereafter submit a new termination notice pursuant to Section 9(a).

(e) Purchase of Aircraft by Lessee. In the event that Lessee shall have elected to purchase the Aircraft on a Special Termination Date pursuant to Section 9(a), on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greater of i) the Termination Value for the Aircraft, computed as of the Special Termination Date and (ii) the then fair market sales value of the Aircraft, as determined by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal. On such Special Termination Date, x) Lessee (i) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all unpaid Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(e)), other than Termination Value, due and

owing on such Special Termination Date, all Basic Rent due and payable prior to the Special Termination Date and unpaid and the Basic Rent installment due and payable on the Special Termination Date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) and ii) at its option shall either A) pay to Lessor, in funds of the type specified in Section 3(d), the Special Termination Price, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Equipment Notes (including, without limitation, any scheduled payment of principal of or accrued interest on the Equipment Notes due and payable on the Special Termination Date but only to the extent that the Basic Rent installment payable by Lessee pursuant to clause (i) above does not cover such scheduled payment of principal of or accrued interest on the Equipment Notes but excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Termination Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee) in accordance with Section 7.03 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Termination Price over an amount equal to the sum of the principal of and any accrued and unpaid interest on the outstanding Equipment Notes on such Special Termination Date, after taking into account any payments of principal or interest made in respect of the outstanding Equipment Notes on such Special Termination Date, and y) Lessor will sell to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Equipment Notes as provided for above, Lessor will request the Loan Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase

Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(f) Termination of Lease, Etc. Upon the sale or retention or purchase of the Aircraft, as the case may be, in compliance with the provisions of this Section 9, i) the obligation of Lessee to pay Basic Rent under Section 3(b) on any Lease Period Date occurring subsequent to the applicable Termination Value Determination Date, and (ii) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 10 of the Tax Indemnity Agreement or y) in respect of liabilities and obligations of Lessee which have accrued under any Operative Document but have not been paid or which are in dispute as of the date of such sale or retention) shall cease as of the Termination Date and, in each case, the Term shall end effective as of the Termination Date.

(g) Termination as to Engines. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option at any time, on at least 60 days' prior written notice, to terminate this Lease with respect to any Engine. In such event, and prior to the date of such termination, Lessee shall replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine."

Section 6. Amendment to Section 10 of the Lease. (a) The proviso to clause (i) of Section 10(a) of the Lease is amended by adding the words "promptly give notice to Lessor and the Loan Trustee and shall" after the words "then Lessee shall" and by deleting the word "fifteenth" and replacing it with the word "thirtieth".

(b) Clause (ii) of Section 10(a) of the Lease is amended in its entirety to read as follows:

"(ii) on or before the Loss Payment Date (as defined below), Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) the Stipulated Loss Value for the Aircraft, determined as of the Loss Payment Date, plus (B) all Supplemental Rent due and owing on such Loss Payment Date (including, without limitation, Swap Breakage Loss, if any, payable in connection with a redemption of Bank Equipment Notes pursuant to Section 6.01(a) of the Indenture) plus (C) if the Casualty Loss Determination Date with respect to the Stipulated Loss Value is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), plus (D) all Basic Rent due and payable prior to the Casualty Loss Determination Date and unpaid. As used herein, "Loss Payment Date" means the earliest of x) 30 days following the date on which insurance proceeds are received with respect to such Event of Loss, (y) the Business Day next following the 121st day next following the date of occurrence of the Event of Loss, and z) an earlier Business Day irrevocably specified by Lessee at least thirty days in advance by notice to Lessor and the Loan Trustee; provided, however, the Loss Payment Date shall be the date specified in the proviso to clause (i) above, if such proviso is applicable."

(c) Clause (C) of the penultimate paragraph of Section 10(a) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C".

(d) Clause (D) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting the words "or advisable" after the word "necessary" in each place where it appears.

(e) Clause (E) of the penultimate paragraph of Section 10(a) of the Lease is amended by deleting the word "an" before the words "opinion of counsel" and substituting therefor the words "a favorable".

(f) Clause (H) of the penultimate paragraph of Section 10(a) of the Lease is amended by deleting the word "would" and substituting therefor the word "should".

(g) Clause (iii) of Section 10(b) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C".

(h) Clause (vi) of Section 10(b) of the Lease is amended by inserting the words "or advisable" after the word "necessary" each time it appears.

Section 7. Amendment to Section 11 of the Lease. (a) Section 11 of the Lease is amended by adding a new paragraph (e) at the end thereof, reading in its entirety as follows:

"(e) References to Participants. Notwithstanding anything to the contrary contained herein, for purposes of this Section 11, the term 'Loan Participants' shall mean the Pass Through Trustee and each Bank Lender, the term 'Original Loan Participant' shall mean the Pass Through Trustee and each Bank Lender and the term 'Participants' shall mean the Pass Through Trustee, each Bank Lender and the Owner Participant."

Section 8. Amendment to Section 12 of the Lease. Section 12 of the Lease is amended in its entirety to read as follows:

"Section 12. Inspection. At all reasonable times during the Term, but upon at least 5 days' prior written notice to Lessee, Lessor, the Owner Participant, the Initial Bank Lender, the Loan Trustee or the Pass Through Trustee, or their authorized representatives, may at their own expense and risk conduct a visual walk-around inspection of the Aircraft and any Engine (including a visual walk-around inspection of the Aircraft during any regularly scheduled heavy maintenance visit for the Aircraft conducted by Lessee during the Term) and may inspect the books and records of Lessee relating thereto; provided that (a) such representatives shall be fully insured to the reasonable satisfaction of Lessee by Lessor, the Owner Participant, the Initial Bank Lender, the Loan Trustee or the Pass Through Trustee, as the case may be, with respect to any risks incurred in connection with any such inspection, b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit,

such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by Lessor, the Owner Participant, the Loan Trustee, each Bank Lender and the Pass Through Trustee and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom the Owner Participant, the Loan Trustee, any Bank Lender or the Pass Through Trustee is in good faith conducting negotiations relating to the possible transfer and sale of its interest in the Aircraft, if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. Lessee will, upon the request of Lessor at any time, notify Lessor of the time and location of the next scheduled heavy maintenance visit to be conducted by Lessee in respect of the Aircraft; provided that Lessee shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified Lessor pursuant to this sentence, Lessee hereby agreeing to use reasonable efforts to notify Lessor of any such rescheduling or change. None of the Lessor, the Pass Through Trustee, the Loan Trustee, any Bank Lender or the Owner Participant shall have any duty to make any such inspection or incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall relieve Lessee of any of its obligations under this Lease. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of Lessee's business, and Lessee shall not be required to undertake or incur any additional liabilities in connection therewith."

Section 9. Amendment to Section 14 of the Lease. Section 14(a) of the Lease is amended by deleting the words "Break Amount" and substituting therefor the words "Make Whole Amount, Swap Breakage Loss".

Section 10. Amendment to Section 15 of the Lease. (a)

Section 15(c) of the Lease is amended by deleting the term "Assumed Debt Rate" and substituting therefor "Average Certificate Rate".

(b) The first sentence of the last paragraph of Section 15 of

the Lease is amended by deleting the remainder of the sentence following the words "responsibility or liability" and substituting therefor the words "for any Make Whole Amount or any Swap Breakage Loss payable to the Loan Participants as a result of a redemption or purchase of the Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of Lessee or an Indenture Default that does not also constitute an Event of Default".

Section 11. Amendment to Section 16 of the Lease. Section 16

of the Lease is amended by inserting in the third sentence thereof after the words "is in effect," the words "to the extent permitted by applicable law,". Section 16 of the Lease is further amended by inserting at the end thereof the following additional sentence: "In furtherance of the foregoing, Lessor and Lessee hereby confirm their joint intent that this Lease is to be treated as a lease for Federal income tax purposes."

Section 12. Amendment to Section 18 of the Lease. Clause

(ii) of the first sentence of Section 18 of the Lease is amended in its entirety to read "if to Lessor, to Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1992 AF-2) (redesignated AA 1995 PTC Series AB)", and clause (iv) of the first sentence of Section 18 of the Lease is amended in its entirety to read "(iv) if to the Loan Trustee, to 750 Main Street, Hartford, Connecticut 06103 Attention: Corporate Trust Department, or such other address as the Loan Trustee shall from time to time designate in writing to Lessor and Lessee."

Section 13. Amendment to Section 19 of the Lease. Section 19

of the Lease is amended by deleting the words "the penultimate sentence of Section 3(c)" in each place where such words appear and substituting therefor the words "the final sentence of Section 3(c)".

Section 14. Amendment to Section 20 of the Lease. Section

20(b) of the Lease is amended by deleting the words "[July 9, 2012]" in the first sentence and substituting

therefor the words "July 2, 2010"; by deleting the words "Break Amount, if any, and substituting therefor the words "Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption (or purchase in lieu of redemption) of the Pass Through Equipment Notes and Bank Equipment Notes, respectively, resulting from a termination of the Lease under this Section 20(b)"; and by deleting the words "Section 2.16" and substituting therefor the words "Section 7.01"; and by deleting the words "(except that such unpaid interest, for purposes of this Section 20(b), shall be deemed to have accrued at the Assumed Debt Rate)".

Section 15. Amendment to Section 25 of the Lease. Section 25 of the Lease is amended by deleting the word "3.07" and substituting therefor the word "9.03".

Section 16. Effectiveness of Amendments. The amendments to the Lease set forth in Sections 1 through 14 hereof shall become effective as of the Closing (as such term is defined in the Refunding Agreement).

Section 17. Ratification. Except as amended hereby, the Lease shall remain in full force and effect.

Section 18. Miscellaneous. THIS LEASE AMENDMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. This Lease Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered, subject to Section 22 of the Lease and the next sentence of this paragraph, shall be an original, but all of which counterparts together shall constitute but one and the same instrument. To the extent, if any, that the Lease or this Lease Amendment constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in the Lease or in this Lease Amendment may be created through the transfer or possession of any counterpart, other than the original counterpart, which shall be identified as the counterpart containing on the signature page thereof the receipt therefor executed by the Loan Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Amendment to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

LESSOR

WILMINGTON TRUST COMPANY  
not in its individual  
capacity, but solely as  
Owner Trustee

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

LESSEE

AMERICAN AIRLINES, INC.

By /s/ \_\_\_\_\_  
Title:

Receipt of this original counterpart of the foregoing Lease Amendment is hereby acknowledged on this 15th day of June, 1995.

STATE STREET BANK AND TRUST COMPANY  
OF CONNECTICUT, NATIONAL  
ASSOCIATION, LOAN TRUSTEE

By /s/ E. DECKER ADAMS

-----  
Title: E. DECKER ADAMS  
VICE PRESIDENT

=====

LEASE AGREEMENT  
(AA 1992 AF-3)

Dated as of August 1, 1992

between

WILMINGTON TRUST COMPANY,

not in its individual  
capacity except as expressly  
stated herein, but solely  
as Owner Trustee, Lessor

and

AMERICAN AIRLINES, INC.,

Lessee

One Boeing 767-323ER Aircraft

N376AN

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CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 AF-3), DATED AS OF THE DATE HEREOF, BETWEEN WILMINGTON TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 AF-3), DATED AS OF THE DATE HEREOF, FOR THE BENEFIT OF THE HOLDERS OF THE CERTIFICATES REFERRED TO IN SUCH TRUST INDENTURE AND SECURITY AGREEMENT. THIS LEASE AGREEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. TO THE EXTENT, IF ANY, THAT THIS LEASE CONSTITUTES CHATTEL PAPER (AS SUCH TERM IS DEFINED IN THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN ANY APPLICABLE JURISDICTION) NO SECURITY INTEREST IN THIS LEASE MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART OTHER THAN THE ORIGINAL. THE COUNTERPART TO BE DEEMED THE ORIGINAL SHALL BE THE COUNTERPART THAT CONTAINS THE RECEIPT THEREFOR EXECUTED BY NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF AND NO SECURITY INTEREST IN THIS LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OF ANY COUNTERPART OTHER THAN SAID ORIGINAL COUNTERPART. SEE SECTION 22 FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

THIS IS NOT THE ORIGINAL COUNTERPART.

AF-3

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LEASE AGREEMENT  
(AA 1992 AF-3)

This LEASE AGREEMENT (AA 1992 AF-3), dated as of August 1, 1992, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, except as expressly stated herein, but solely as Owner Trustee under the Trust Agreement (as defined in Section 1) and its permitted successors and assigns ("Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation with its principal place of business at Dallas/Fort Worth International Airport, Texas 75261-9616 and its permitted successors and assigns ("Lessee").

W I T N E S S E T H:

Section 1. Definitions. Unless the context otherwise requires, the following terms shall have the following meanings for all purposes of this Lease Agreement and shall be equally applicable to both the singular and the plural forms of the terms herein defined:

"Accrued Arrears Basic Rent" means, for any period of days within a Lease Period, the amount determined by multiplying the portion, if any, of the Basic Rent installment for such Lease Period designated in Exhibit A-1 to the Rent Schedule as being payable in arrears by a fraction, the numerator of which shall be the actual number of days in such period and the denominator of which shall be the actual number of days in such Lease Period.

"Affiliate" of any Person means any other Person directly or indirectly controlling, controlled by or under common control with such Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Aircraft" means the Airframe delivered and leased hereunder, together with the two Engines described in the Lease Supplement relating to the Airframe (or any Replacement Engine substituted for any Engine hereunder), whether or not any of such initial or substituted Engines

may from time to time be installed on such Airframe or may be installed on any other airframe or on any other aircraft. The term "Aircraft" shall include any Replacement Aircraft.

"Airframe" means (i) the Boeing 767-323ER aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N376AN and Manufacturer's Serial Number 25445, and leased hereunder by Lessor to Lessee under a Lease Supplement; and (ii) any and all Parts so long as the same shall be incorporated or installed in or attached to such aircraft, or so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 after removal from such aircraft. The term "Airframe" shall include any Replacement Airframe substituted pursuant to Section 10(a). Except as otherwise set forth herein, at such time as a Replacement Airframe shall be so substituted and the Airframe for which the substitution is made shall be released from the lien of the Trust Indenture, such replaced Airframe shall cease to be an Airframe hereunder.

"Assumed Debt Rate" means a rate of interest of 8.75% per annum, payable February 11, 1993, and semiannually thereafter, computed on the basis of a 360-day year of twelve 30-day months.

"Base Lease Commencement Date" means February 11, 1993.

"Base Lease Expiration Date" means August 11, 2017.

"Base Rate" means a fluctuating rate equal to the rate per annum announced publicly by The Chase Manhattan Bank, National Association, from time to time as its base rate.

"Basic Rent" for the Aircraft means the rent payable for the Aircraft pursuant to Section 3(b), as the same may be adjusted pursuant to Section 3(e), or, during any Renewal Term, the rent payable for the Aircraft pursuant to Section 20(a).

"Bills of Sale" has the meaning set forth in the Participation Agreement.

"Break Amount" has the meaning set forth in the Trust Indenture.

"Business Day" means any day other than a Saturday, Sunday or a day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York, Fort Worth, Texas, the city and state in which the principal corporate trust office of the Owner Trustee is located, or, so long as any Certificate is outstanding, the city and state in which the principal corporate trust office of the Indenture Trustee is located; provided, however, that for all purposes in respect of determining the LIBOR Rate (as defined in the Indenture), "Business Day" shall also exclude days on which normal dealings in dollar deposits in the London interbank market are not carried on.

"Casualty Loss Determination Date" for the Aircraft means each of the dates specified in Exhibit B to the Rent Schedule which is the same as or immediately precedes a Loss Payment Date on which Stipulated Loss Value is payable with respect to the Aircraft.

"Certificate" has the meaning set forth in the Trust Indenture.

"Change in Tax Law" means a change, amendment, modification, addition or deletion in or to the Code, any regulation thereunder (whether proposed, temporary or final) or any Internal Revenue Service Revenue Rulings or Revenue Procedures.

"Claims" means any and all liabilities, obligations, losses, damages, penalties, claims, actions or suits of whatsoever kind and nature (whether or not on the basis of negligence, strict or absolute liability or liability in tort), including all costs, disbursements and expenses (including reasonable legal fees and expenses).

"Code" means the Internal Revenue Code of 1986, as amended and in effect on the Delivery Date.

"Debt Rate" has the meaning set forth in Section 2.01 of the Trust Indenture.

"Delivery Date" means the date of the Lease Supplement covering the Aircraft, which date shall be the

date the Aircraft is accepted by Lessor and leased to and accepted by Lessee hereunder.

"Engine" means (i) each of the two General Electric CF6-80C2B6 engines listed by manufacturer's serial numbers in the Lease Supplement relating to the Airframe whether or not from time to time installed on the Airframe or installed on any other airframe or on any other aircraft and (ii) any Replacement Engine which may from time to time be substituted pursuant to Section 5(b), 9(g), 10(a) or 10(b) for an Engine leased hereunder; together in each case with any and all Parts incorporated or installed in or attached thereto or any and all Parts removed therefrom so long as title thereto shall remain vested in Lessor in accordance with the terms of Section 8 after removal from such Engine. Except as otherwise set forth herein, at such time as a Replacement Engine shall be so substituted and the Engine for which substitution is made shall be released from the lien of the Trust Indenture, such replaced Engine shall cease to be an Engine hereunder. The term "Engines" means, as of any date of determination, all Engines then leased hereunder.

"Event of Default" has the meaning specified in Section 14.

"Event of Loss" with respect to any property means any of the following events with respect to such property: (i) loss of such property or the use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of such property permanently unfit for normal use for any reason whatsoever; (ii) any damage to such property which results in an insurance settlement with respect to such property on the basis of a total loss or constructive total loss; (iii) the condemnation, confiscation or seizure of, or requisition of title to, or use of, such property (other than (x) a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit of such government) that shall not have extended more than one year beyond the end of the Term, unless Lessee shall have declared an Event of Loss pursuant to Section 10(d), (y) a requisition for use by any other Government that shall not have extended beyond the end of the Term or (z) a requisition for use by the government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which shall not have resulted in a loss of posses-

sion of the Aircraft for a period in excess of twelve consecutive months and shall not have extended beyond the end of the Term); (iv) as a result of any rule, regulation, order or other action by the Federal Aviation Administration, the Department of Transportation or other governmental body of the United States of America or other country of registry having jurisdiction, the use of such property in the normal course of air transportation of persons shall have been prohibited for a period of six consecutive months, unless Lessee, prior to the expiration of such six-month period, shall have undertaken and shall be diligently carrying forward all steps which are necessary or desirable to permit the normal use of such property by Lessee or, in any event, if such use shall have been prohibited for a period of twelve consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by the Government in any area excluded from coverage by any insurance policy in effect with respect to the Aircraft required by the terms of Section 11, unless the requisition for use shall have been made by a Government and Lessee shall have obtained indemnity in lieu thereof from a Government pursuant to Section 11; provided that, in the case of an event described in clause (i), (iii) or (v), if such property shall be returned to Lessee in usable condition prior to the Loss Payment Date, and, for so long as any Certificates remain outstanding, prior to the date on which notice of payment of the Certificates is given pursuant to Section 2.14 of the Trust Indenture, then such event shall, at the option of Lessee, not constitute (or be deemed to be within the definition of) an Event of Loss. An Event of Loss with respect to the Aircraft shall be deemed to have occurred if an Event of Loss occurs with respect to the Airframe.

"Excepted Property" has the meaning set forth in the Trust Indenture.

"Excess Payment Amount" has the meaning set forth in Section 16(a) of the Participation Agreement.

"Excess Payment Differential Amount" has the meaning set forth in Section 16(a) of the Participation Agreement.

"Federal Aviation Act" means the Federal Aviation Act of 1958, as amended.

"Government" means the government of any of the United States of America, Canada, France, the Federal Republic of Germany, Japan, The Netherlands, Sweden, Switzerland and the United Kingdom and any instrumentality or agency of any thereof, except that for purposes of the definition of "Event of Loss", the final sentence of Section 7(a), and Section 11, those instrumentalities and agencies included within the definition of "Government" shall be instrumentalities and agencies whose obligations bear the full faith and credit of the applicable government listed above.

"Indenture Default" has the meaning set forth in the Trust Indenture.

"Indenture Estate" has the meaning set forth in the Trust Indenture.

"Indenture Event of Default" has the meaning set forth in the Trust Indenture.

"Indenture Trustee" means NationsBank of Georgia, National Association, and each other Person which may from time to time be acting as indenture trustee under the Trust Indenture.

"Independent Appraisal" means an appraisal mutually agreed to by two nationally recognized independent aircraft appraisers, one of which appraisers shall be chosen by Lessor and one by Lessee, or, if such appraisers cannot agree on such appraisal, an appraisal arrived at by a third independent aircraft appraiser chosen by the mutual consent of such two appraisers, provided that, if either party shall fail to appoint an appraiser within 15 days after a written request to do so by the other party, or if such two appraisers cannot agree on such appraisal and fail to appoint a third appraiser within 20 days after the date of the appointment of the second of such appraisers, then either party may apply to the American Arbitration Association to make such appointment. In the event such third independent appraiser shall be chosen to provide such appraisal, unless the parties agree otherwise, such appraisal shall be required to be made within 20 days of such appointment. An "Independent Appraisal" of the fair market rental value or fair market sales value of the Aircraft shall mean an appraisal which assumes that the sale or lease transaction would be an arm's-length transaction between an informed and willing lessee or

buyer, as the case may be, under no compulsion to lease or buy, as the case may be, and an informed and willing lessor or seller, as the case may be, under no compulsion to lease or sell, as the case may be, and assumes that the Aircraft is unencumbered by this Lease or any renewal or purchase option hereunder and is in the condition required hereby; provided that an Independent Appraisal undertaken pursuant to Section 15 shall value the Aircraft on an "as-is, where-is" basis. The fees and expenses of appraisers for an Independent Appraisal, whenever undertaken pursuant to this Lease, shall be borne equally by Lessor and Lessee and each shall separately bear any fees, costs and expenses of its respective attorneys and experts (other than the appraisers referred to above) incurred in connection with such Independent Appraisal, except that the costs of an Independent Appraisal undertaken pursuant to Section 15 shall be for the account of Lessee.

"Interests" has the meaning set forth in Section 11(a).

"Interim Period" means the period from the Delivery Date to and including the day prior to the Base Lease Commencement Date.

"Lease Agreement", "this Lease Agreement", "this Lease", "this Agreement", "herein", "hereunder", "hereby" or other like words mean this Lease Agreement (together with the Rent Schedule, except in the case of any reference to this Lease Agreement as filed with the Federal Aviation Administration) as originally executed or as modified, amended or supplemented pursuant to the applicable provisions hereof and in accordance with the Trust Indenture, including, without limitation, supplementation hereof by one or more Lease Supplements entered into pursuant to the applicable provisions hereof.

"Lease Period" for the Aircraft means (i) the Interim Period and (ii) each of forty-nine consecutive semi-annual periods throughout the Term, the first such semi-annual period commencing on and including the Base Lease Commencement Date and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than the last such date).

"Lease Period Date" means the Base Lease Commencement Date and each succeeding February 11 and August 11, to and including August 11, 2017.

"Lease Supplement" means the Lease Supplement, substantially in the form of Exhibit A hereto, to be entered into between Lessor and Lessee for the purpose of leasing the Aircraft under and pursuant to the terms of this Lease, and any other Lease Supplement entered into subsequent to the Delivery Date.

"Lessor's Cost" for the Aircraft has the meaning set forth in the Rent Schedule.

"Lessor's Lien" means any Lien or disposition of title affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or in this Lease arising as a result of (i) claims against or affecting Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant not related to the transactions contemplated by this Lease or the Participation Agreement, or (ii) any act or omission of Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant not related to the transactions contemplated by this Lease or the Participation Agreement or not permitted under this Lease or the Participation Agreement, or (iii) Taxes or Claims imposed against Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant which are not indemnified against by Lessee pursuant to the Participation Agreement or the Tax Indemnity Agreement, or (iv) claims against or affecting Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant arising out of the transfer by Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant of any of their respective interests in the Aircraft (including, without limitation, by means of granting a security interest therein other than the lien of the Trust Indenture), other than a transfer of its interest in the Aircraft pursuant to Section 9, 10, 15 or 20 hereof.

"Lien" means any mortgage, pledge, lien, charge, encumbrance, lease, exercise of rights, security interest or claim.

"Loan Certificate" or "Certificate" has the meaning set forth in the Trust Indenture.

"Loan Participant" means the Original Loan Participant, so long as it is the holder of a Loan Certificate, and any Permitted Transferee, so long as it is the holder of a Loan Certificate.

"Loan Participant Liens" means Liens affecting or in respect of the Aircraft, the Airframe, any Engine or any interest therein or in this Lease as a result of (i) claims against any Loan Participant not related to the transactions contemplated by the Operative Documents and (ii) acts or omissions of any Loan Participant not related to the transactions contemplated by the Operative Documents or not permitted under the Operative Documents.

"Loss Payment Date" has the meaning set forth in Section 10(a).

"Manufacturer" means The Boeing Company, a Delaware corporation, and its successors and assigns.

"Manufacturer's Subsidiary" means Boeing Sales Corporation, a Guam corporation and a wholly-owned subsidiary of the Manufacturer, and its successors and assigns.

"Mortgage Convention" means the Convention on the International Recognition of Rights in Aircraft as in effect on the date hereof or as hereafter amended, modified or supplemented.

"Operative Documents" means this Agreement, each Lease Supplement, the Participation Agreement, the Trust Indenture, the Certificates, each Trust Agreement and Indenture Supplement, the Trust Agreement, the Bills of Sale, the Purchase Agreement Assignment and the Tax Indemnity Agreement.

"Original Loan Participant" means CIBC Inc.

"Overdue Rate" means (a) with respect to the portion of any payment of Rent that would be required to be distributed to the Loan Participants or the Indenture Trustee pursuant to the terms of the Trust Indenture, the Past Due Rate as defined in the Trust Indenture and (b) with respect to the portion of any payment of Rent that would be required to be distributed to Lessor pursuant to the terms of the Trust Indenture or would be payable directly to Lessor, the Owner Participant or the Owner Trustee in its individual capacity, the lesser of 2% over the Base Rate and the maximum interest rate from time to time permitted by law.

"Owner Participant" means AT&T Credit Corporation, a Delaware corporation, and any other Person or Persons to which the Owner Participant transfers its right, title and interest in and to the Trust Agreement, the Trust Estate and the Participation Agreement, in accordance with Article VIII of the Trust Agreement and Section 16(c) of the Participation Agreement, and their respective permitted successors and assigns.

"Owner Participant's Net Economic Return" has the meaning set forth in Section 15(a) of the Participation Agreement.

"Owner Participant's Revised Net Economic Return" has the meaning set forth in Section 15(a) of the Participation Agreement.

"Owner Trustee" means Wilmington Trust Company, not in its individual capacity but solely as trustee under the Trust Agreement, and each other Person which may from time to time be acting as Owner Trustee in accordance with the provisions of the Trust Agreement and this Agreement.

"Participant" means each of the Owner Participant and any Loan Participant.

"Participation Agreement" means the Participation Agreement (AA 1992 AF-3), dated as of the date hereof, between Lessee, the Original Loan Participant, the Indenture Trustee, the Owner Participant and Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee), as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof.

"Parts" means all appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment of whatever nature (other than (i) complete Engines or engines, (ii) any items leased by Lessee from a third party (other than items leased hereunder by Lessee from Lessor) and (iii) cargo containers that were not made solely for use on the Aircraft), which may from time to time be incorporated or installed in or attached to the Airframe or any Engine or which have been removed therefrom but as to which title remains vested in Lessor in accordance with Section 8 hereof.

"Permitted Air Carrier" has the meaning set forth in Section

7(b)(i).

"Permitted Investment" means each of (i) direct obligations of the United States of America, and agencies thereof; (ii) obligations fully guaranteed by the United States of America; (iii) certificates of deposit issued by, or bankers' acceptances of, or time deposits with, any bank, trust company or national banking association incorporated or doing business under the laws of the United States of America or one of the states thereof having combined capital and surplus and retained earnings of at least \$100,000,000 (including Lessor in its individual capacity or the Indenture Trustee in its individual capacity if such conditions are met); (iv) commercial paper of any holding company of a bank, trust company or national banking association described in clause (iii); (v) bearer note deposits with, or certificates of deposit issued by, or promissory notes of, any subsidiary incorporated under the laws of Canada (or any province thereof) of any bank, trust company or national banking association described in clause (iii), (viii) or (ix); (vi) commercial paper of companies having a rating assigned to such commercial paper by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such commercial paper at any time, by any nationally recognized rating organization in the United States of America) equal to either of the two highest ratings assigned by such organization; (vii) U.S. dollar-denominated certificates of deposit issued by, or time deposits with, the European subsidiaries of (a) any bank, trust company or national banking association described in clause (iii), or (b) any other bank described in clause (viii) or (ix), having a rating of A, its equivalent or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (viii) U.S.-issued Yankee certificates of deposit issued by, or bankers' acceptances of, or commercial paper issued by, any bank having combined capital and surplus and retained earnings of at least \$100,000,000 and headquartered in Canada, Japan, the United Kingdom, France, the Federal Republic of Germany, Switzerland or The Netherlands, having a rating of A, its equivalent or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized

rating organization in the United States of America); (ix) U.S. dollar-denominated time deposits with any Canadian bank having a combined capital and surplus and retained earnings of at least \$100,000,000, having a rating of A, its equivalent or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation (or if neither such organization shall rate such institution at any time, by any nationally recognized rating organization in the United States of America); (x) Canadian Treasury Bills fully hedged to U.S. dollars; (xi) repurchase agreements with any financial institution having combined capital and surplus and retained earnings of at least \$50,000,000 (including Lessor in its individual capacity or the Indenture Trustee in its individual capacity if such conditions are met) collateralized by transfer of possession of any of the obligations described in clauses (i) through (x) above; (xii) bonds, notes or other obligations of any state of the United States of America, or any political subdivision of any such state, or any agencies or other instrumentalities of any such state, including, but not limited to, industrial development bonds, pollution control revenue bonds, public power bonds, housing bonds, other revenue bonds or any general obligation bonds, provided that, at the time of their purchase, such obligations are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at any time, by any nationally recognized rating organization in the United States of America); or (xiii) bonds or other debt instruments of any company, if such bonds or other debt instruments, at the time of their purchase, are rated in either of the two highest rating categories by Standard & Poor's Corporation or Moody's Investors Service, Inc. (or, if neither such organization shall rate such obligations at such time, by any nationally recognized rating organization in the United States of America).

"Permitted Liens" means Liens referred to in clauses (i) through (vii) of Section 6.

"Permitted Transferee" has the meaning set forth in the Participation Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Prepaid Rent" has the meaning set forth in Section 3(f).

"Purchase Agreement" means the Purchase Agreement, dated as of June 23, 1989, between the Manufacturer and Lessee (as heretofore amended, modified and supplemented), providing, among other things, for the manufacture and sale by the Manufacturer to Lessee (or to financing entities designated by Lessee) of certain Boeing Model 767 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment (AA 1992 AF-3), dated as of the date hereof, between Lessee and Lessor, pursuant to which Lessee assigns to Lessor certain of Lessee's rights and interests under the Purchase Agreement with respect to the Aircraft, which Purchase Agreement Assignment has annexed thereto, and which defined term shall be deemed to include, a Consent and Agreement thereto executed by the Manufacturer and an Agreement of Subsidiary executed by the Manufacturer's Subsidiary, all as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof and of the other Operative Documents.

"Reimbursement Amount" has the meaning set forth in Section 3(f).

"Renewal Term" has the meaning set forth in Section 20(a).

"Renewal Term Rate" has the meaning set forth in the Rent Schedule.

"Rent" means Basic Rent and Supplemental Rent, collectively.

"Rent Schedule" means the Rent Schedule (AA 1992 AF-3), dated as of the date hereof, between Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee, as originally executed or as modified, amended or supplemented pursuant to the applicable provisions of the Operative Documents.

"Replacement Aircraft" means the Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" means a Boeing 767-300 aircraft or a comparable or improved model of such aircraft of the Manufacturer (except Engines or engines from time to time installed thereon) which shall have been leased hereunder pursuant to Section 10(a), together with all Parts relating to such aircraft.

"Replacement Engine" means a General Electric CF6-80C2B6 engine (or an engine of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine leased hereunder) which shall have been leased hereunder pursuant to Section 5(b), 9(g), 10(a) or 10(b), together with all Parts relating to such engine.

"Responsible Officer" means, with respect to Lessee, its Chairman of the Board, its President, any Senior Vice President, the Chief Financial Officer, any Vice President, the Treasurer or any other management employee (a) whose power to take the action in question has been authorized, directly or indirectly, by the Board of Directors of Lessee, (b) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (c) whose responsibilities include the administration of the transactions and agreements, including this Lease, contemplated by the Participation Agreement and the other Operative Documents.

"Special Purchase Option Date" has the meaning set forth in Section 20(b).

"Special Purchase Price" has the meaning set forth in Section 20(b).

"Special Purchase Price Percentage" has the meaning set forth in the Rent Schedule.

"Special Termination Date" has the meaning set forth in the Rent Schedule.

"Special Termination Price" has the meaning set forth in Section 9(e).

"Stipulated Loss Value" payable with respect to an Event of Loss for the Aircraft means (i) the amount

determined by multiplying Lessor's Cost for the Aircraft by the Stipulated Loss Value Percentage set forth in Exhibit B to the Rent Schedule opposite the Casualty Loss Determination Date next preceding the Loss Payment Date (or, if the Loss Payment Date occurs on a Casualty Loss Determination Date, by the Stipulated Loss Value Percentage set forth opposite such Casualty Loss Determination Date), as such percentage may be adjusted as provided below, plus (ii) an amount equal to the interest accruing on the outstanding Certificates for the period from and including such Casualty Loss Determination Date to but excluding the Loss Payment Date for the Aircraft, plus (iii) an amount equal to the interest accruing on the Equity Portion (as defined in the next sentence) at the Base Rate for the period from and including such Casualty Loss Determination Date to but excluding such Loss Payment Date; provided that during any Renewal Term, "Stipulated Loss Value" shall be determined as provided in Section 20. For purposes of the preceding sentence, the term "Equity Portion" shall mean an amount equal to the excess, if any, of the amount calculated pursuant to clause (i) of such preceding sentence over the aggregate unpaid principal of, and the aggregate unpaid accrued interest on, the outstanding Certificates as of such Casualty Loss Determination Date. The Stipulated Loss Value Percentages set forth in Exhibit B to the Rent Schedule have been computed on the assumption that each Certificate will bear interest throughout the term at the Assumed Debt Rate for such Certificate. To the extent that the aggregate amount of interest payable on the Certificates from and including the Lease Period Date next preceding a Casualty Loss Determination Date to but excluding such Casualty Loss Determination Date is greater or less than the amount included in calculating the Stipulated Loss Value Percentage set forth in Exhibit B to the Rent Schedule with respect to such Casualty Loss Determination Date on account of such Assumed Debt Rate, such percentage shall be increased or decreased to compensate for such differential.

"Supplemental Rent" means all amounts, liabilities and obligations (other than Basic Rent) which Lessee assumes or is obligated or agrees to pay hereunder, under the Participation Agreement, the Tax Indemnity Agreement, the Lease Supplement, the Purchase Agreement Assignment or the Bills of Sale (or under any other agreement of Lessee expressly providing that amounts, liabilities and obligations which Lessee assumes or is obligated or agrees to pay thereunder shall be Supplemental Rent) to Lessor or

others, including, without limitation, payments of Stipulated Loss Value, Termination Value and amounts calculated with reference thereto.

"Tax Indemnity Agreement" means the Tax Indemnity Agreement (AA 1992 AF-3), dated as of the date hereof, between Lessee and the Owner Participant.

"Taxes" has the meaning set forth in Section 7(c) of the Participation Agreement.

"Term" means the term for which the Aircraft is leased pursuant to Section 3(a) hereof and Section (iii) of the Lease Supplement relating to the Aircraft except that, during any Renewal Term, "Term" shall also mean such Renewal Term, as specified in Section 20(a).

"Termination Date" has the meaning set forth in Section 9(a).

"Termination Value" for the Aircraft as of any date of determination means the amount determined by multiplying Lessor's Cost for the Aircraft by the Termination Value Percentage set forth in Exhibit C to the Rent Schedule opposite the Termination Value Determination Date next preceding such date of determination (or, if such date of determination is a Termination Value Determination Date, by the Termination Value Percentage set forth opposite such Termination Value Determination Date) as such percentage may be adjusted as provided below, provided that during any Renewal Term, "Termination Value" shall be determined as provided in Section 20. "Termination Value" for the Airframe or any Engine as of any date of determination means a portion of the Termination Value for the Aircraft, computed as of such date of determination, which bears the same ratio to such Termination Value for the Aircraft as the original cost (as reasonably determined by Lessor after consultation with Lessee and the Manufacturer) to Lessor of the Airframe or such Engine bears to Lessor's Cost for the Aircraft. The Termination Value Percentages set forth in Exhibit C to the Rent Schedule have been computed on the assumption that each Certificate will bear interest throughout the term at the Assumed Debt Rate for such Certificate. To the extent that the aggregate amount of interest payable on the Certificates from and including the Lease Period Date next preceding a Termination Value Determination Date to but excluding such Termination Value Determination Date is greater or less

than the amount included in calculating the Termination Value Percentage set forth in Exhibit C to the Rent Schedule with respect to such Termination Value Determination Date on account of such Assumed Debt Rate, such percentage shall be increased or decreased to compensate for such differential.

"Termination Value Determination Date" means each of the dates specified in Exhibit C to the Rent Schedule which is the same as or immediately precedes the date with respect to which Termination Value is to be determined.

"Transaction Costs" has the meaning set forth in Section 18(a) of the Participation Agreement.

"Trust Agreement" means the Trust Agreement (AA 1992 AF-3), dated as of the date hereof, between the Owner Participant and Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee), as originally executed or as modified, amended or supplemented pursuant to the applicable provisions thereof and in accordance with the other Operative Documents, including, without limitation, supplementation thereof by one or more Trust Agreement and Indenture Supplements entered into pursuant to the applicable provisions of such Trust Agreement and of the other Operative Documents.

"Trust Agreement and Indenture Supplement" means a supplement to the Trust Indenture and to the Trust Agreement, substantially in the form of Exhibit A to the Trust Indenture.

"Trust Estate" has the meaning specified in the Trust Agreement.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of the date hereof, between Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee) and the Indenture Trustee, as originally executed or as modified, amended or supplemented by one or more Trust Agreement and Indenture Supplements or indentures supplemental thereto entered into pursuant to the applicable provisions thereof.

"Trustee's Liens" has the meaning specified in Section 5.04 of the Trust Indenture.

"Unearned Advance Basic Rent" means, as of any date of determination, the amount determined by multiplying the portion, if any, of the Basic Rent installment for the Lease Period in which such date of determination occurs designated in Exhibit A-1 to the Rent Schedule as having been payable in advance by a fraction, the numerator of which shall be the actual number of days in the period from and including such date of determination to but excluding the last day of such Lease Period, and the denominator of which shall be the actual number of days in such Lease Period.

Section 2. Acceptance and Leasing of Aircraft. Lessor hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 4 of the Participation Agreement) to accept delivery of, and simultaneously to lease to Lessee hereunder, and Lessee hereby agrees (subject to satisfaction or waiver of the conditions set forth in Section 11 of the Participation Agreement) to lease from Lessor hereunder, the Aircraft, as evidenced by the execution by Lessor and Lessee of a Lease Supplement covering the Aircraft. Lessor shall authorize one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to accept delivery of the Aircraft pursuant to the Participation Agreement. Lessee hereby agrees to deliver the Aircraft within the United States to Lessor, and Lessor hereby authorizes one or more employees or agents of Lessee, designated by Lessee, as the authorized representative or representatives of Lessor to ultimately deliver the Aircraft outside the United States within one year after the date of the acceptance of delivery of the Aircraft from Lessee under the Participation Agreement, as contemplated by Section 5(d) of the Tax Indemnity Agreement. Lessee hereby agrees that such acceptance of delivery by such authorized representative or representatives on behalf of Lessor shall, without further act, irrevocably constitute acceptance by Lessee of the Aircraft for all purposes of this Lease.

Section 3. Term and Rent. (a) Term. Except as otherwise provided herein, the Term for the lease of the Aircraft hereunder shall commence on the Delivery Date and end on the Base Lease Expiration Date.

(b) Basic Rent. Lessee hereby agrees to pay Lessor Basic Rent for the Aircraft throughout the Term in consecutive semiannual installments payable on each Lease Period Date commencing on the Base Lease Commencement Date. Each such installment of Basic Rent in respect of the Aircraft shall be in an amount determined by multiplying Lessor's Cost by the Basic Rent percentage set forth in Exhibit A to the Rent Schedule for the applicable Lease Period Date.

Although the Basic Rent percentages set forth in Exhibit A to the Rent Schedule have been computed on the assumption that each Certificate will bear interest at the Assumed Debt Rate for such Certificate throughout the Term, Lessor and Lessee recognize that the actual rate of interest on each Certificate may be a rate from time to time which may be greater or less than the Assumed Debt Rate for such Certificate and that the related basis upon which interest on the Certificates will be computed will be as provided in the Trust Indenture. Accordingly, each installment of Basic Rent shall be increased or decreased, as the case may be, by an amount (the "Rent Differential Amount") equal to, as of any Lease Period Date on which Basic Rent is payable, the difference between (i) the aggregate amount of interest actually due and payable on such Lease Period Date on the Certificates for the period from and including the Lease Period Date next preceding such Lease Period Date to but excluding such Lease Period Date, determined as provided in the Trust Indenture, and (ii) the aggregate amount of interest on the Certificates that would have been due and payable on such Lease Period Date if each Certificate had borne interest at the Assumed Debt Rate for such Certificate for the period from and including the Lease Period Date next preceding such Lease Period Date to but excluding such Lease Period Date. If, as of any Lease Period Date on which Basic Rent is payable, the amount determined in accordance with clause (i) of the immediately preceding sentence shall be greater than the amount determined in accordance with clause (ii) of such sentence, the amount of Basic Rent payable on such Lease Period Date shall be increased by the Rent Differential Amount. If, as of any Lease Period Date on which Basic Rent is payable, the amount determined in accordance with such clause (ii) shall be greater than the amount determined in accordance with such clause (i), the amount of Basic Rent due on such Lease Period Date shall be decreased by the Rent Differential Amount. The interest actually accruing with respect to the Certificates shall

be as specified by the notification to be delivered by the Indenture Trustee to Lessor, Lessee and the Owner Participant as provided in Section 1(c) of the Participation Agreement.

Anything contained herein or in the Participation Agreement to the contrary notwithstanding, each installment of Basic Rent (both before and after any adjustment pursuant to Section 3(e), or any deduction pursuant to Section 3(f)), as well as the amount of any Prepaid Rent paid pursuant to Section 3(f), together with any payment made by the Owner Participant under Section 16(a) of the Participation Agreement, shall be, under any circumstances and in any event, in an amount at least equal to, as of the due date of such installment, or Base Lease Commencement Date, as the case may be, the amount of principal of and interest on the Certificates required to be paid by Lessor pursuant to the Trust Indenture on the due date of such installment of Basic Rent or on the Base Lease Commencement Date, as the case may be. Further, and anything contained herein or in the Participation Agreement to the contrary notwithstanding, Termination Value and Stipulated Loss Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e), or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts (excluding Excepted Payments) then required to be paid by Lessee hereunder in connection therewith, will be at least equal to, as of the date of payment thereof, the aggregate unpaid principal of the outstanding Certificates, together with all unpaid interest thereon accrued to the date on which such amount is paid in accordance with the terms hereof.

Basic Rent accrues or is earned with respect to each Lease Period in accordance with Exhibit A-1 to the Rent Schedule.

(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise as in the case of nonpayment of Basic Rent. In addition, Lessee will pay as Supplemental Rent (i) on demand, an amount equal to interest at the applicable Overdue Rate on any part of any

installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due or demanded, as the case may be, for the period until the same shall be paid, (ii) in the case of any prepayment of the Certificates pursuant to Section 2.12, 2.14 or Article IV of the Trust Indenture or purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture, on the date the same is payable by Lessor under the Trust Indenture, an amount equal to the Break Amount, if any, payable with respect to the Certificates and (iii) any amounts payable by Lessor under Section 2.18 of the Trust Indenture; provided that notwithstanding anything to the contrary set forth in any Operative Document or any document or instrument relating thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of the Break Amount, if any, payable with respect to the Certificates, as a result of (i) a prepayment of the Certificates or a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (ii) an Indenture Default that does not also constitute an Event of Default. All Supplemental Rent to be paid pursuant to this Section 3(c) shall be payable in the type of funds and in the manner set forth in Section 3(d).

(d) Payment to Lessor. All Rent shall be paid by Lessee to Lessor at its office at Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-3), in funds consisting of lawful currency of the United States of America which shall be immediately available at such office of Lessor not later than 1:00 p.m., New York City time, on the date of payment, provided that so long as the Trust Indenture shall not have been discharged pursuant to the terms thereof, Lessor hereby directs, and each of Lessor and Lessee agrees, that all Rent (excluding Excepted Property) or other sums payable to Lessor hereunder or pursuant hereto shall be paid directly to the Indenture Trustee at the times and in funds of the type specified in this Section 3(d) at the offices of the Indenture Trustee at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-3), or at such other location in the United States as the Indenture Trustee may otherwise direct. Whenever the date scheduled for any payment of Rent to be made hereunder shall not be a Business Day, then such payment need not be

made on such scheduled date but may be made on the next succeeding Business Day with the same force and effect as if made on such scheduled date and (provided such payment is made on such next succeeding Business Day) no interest shall accrue on the amount of such payment from and after such scheduled date to the time of such payment on such next succeeding Business Day.

(e) Adjustments to Basic Rent, Stipulated Loss Value and Termination Value. In the event that (i) the Transaction Costs (as such term is defined in Section 18(a) of the Participation Agreement) are less or more than 0.5% of Lessor's Cost, or (ii) prior to the acceptance of the Aircraft on the Delivery Date: (A) there shall have occurred a Change in Tax Law and (B) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 of the Participation Agreement to decline to proceed with the transaction, or (iii) a refunding or refinancing as contemplated by Section 17 or Section 20 of the Participation Agreement occurs, or (iv) the Delivery Date is other than August 11, 1992, or (v) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (after adjustment for any Excess Payment Differential Amount) is other than \$2,415,000.00, then, in each such case, all payments of Basic Rent, Excess Payment Amount and Stipulated Loss Values and Termination Values with respect to the Term will, subject always to the penultimate paragraph of Section 3(b), be adjusted (upwards or downwards, as the case may be) in accordance with the provisions of Section 18 or Section 20, as applicable, of the Participation Agreement to preserve the Owner Participant's Net Economic Return, or the Owner Participant's Revised Net Economic Return, as the case may be, and, to the greatest extent possible, to minimize the net present value of the payments of Basic Rent. In addition, in the event of a refunding or refinancing as contemplated by Section 17 or Section 20 of the Participation Agreement, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in accordance with the provisions of Section 18 or Section 20, as applicable, of the Participation Agreement.

(f) Prepayments of Certain Rent Payments. To the extent, if any, that there shall not have been re-

ceived by the Indenture Trustee at the office of Indenture Trustee referred to in Section 3(d) hereof, by 1:00 p.m., New York City time, on the Base Lease Commencement Date from Lessor, an amount equal to the Excess Payment Amount, Lessee shall advance to Lessor on the Base Lease Commencement Date an amount equal to the Excess Payment Amount not so paid (such amount being herein called "Prepaid Rent") provided that Lessee will also pay to the Indenture Trustee, on demand, as Supplemental Rent, to the extent permitted by applicable law, interest at the Overdue Rate on any Excess Payment Amount not paid by the Owner Participant when due for any period for which the same shall be overdue. Any Rent prepaid pursuant to this Section 3(f) shall be offset against installments of Basic Rent in the order in which they become due, subject to the penultimate sentence of this paragraph. Lessor agrees to reimburse Lessee in the manner and subject to the conditions provided in the following sentence for (x) the Prepaid Rent so paid by Lessee determined as of the date such payment was made, plus (y) the Supplemental Rent so paid by Lessee pursuant to this Section 3(f) plus (z) accrued interest on the unreimbursed portion thereof at a rate per annum equal to the Overdue Rate plus three percent (3%) from the date such amount is paid by Lessee to but not including the date of each such reimbursement (such amounts to be reimbursed being herein called the "Reimbursement Amount"). So long as no Event of Default has occurred and is continuing, Lessee may with written notice to the Owner Participant and Indenture Trustee offset (without duplication) against each succeeding payment (other than as limited by the proviso to this sentence) due from Lessee to Lessor in respect of Basic Rent, Stipulated Loss Value, Termination Value or any other amount due hereunder to Lessor, until Lessee has been fully reimbursed for the Reimbursement Amount; provided, however, that in the case of any payment due from Lessee which is distributable under the terms of the Indenture, Lessee's right of offset shall be limited to amounts distributable to Lessor or the Owner Participant thereunder. No such offset or aggregate combined effect of separate offsets shall reduce the amount of any installments of Basic Rent to an amount insufficient, together with all other amounts payable simultaneously by Lessee, to pay in full the payments then required to be made on account of the principal of and interest on the Certificates then outstanding. Notwithstanding any provision of this Section 3(f) to the contrary, Lessee's obligation to advance an amount equal to the Excess Payment

Amount shall terminate at such time as its obligation to pay Basic Rent terminates under this Lease.

Section 4. Lessor's Representations, Warranties and Covenants; Quiet Enjoyment. (a) Lessor's Representations, Warranties and Covenants. NONE OF LESSOR (IN ITS INDIVIDUAL CAPACITY OR AS OWNER TRUSTEE), THE OWNER PARTICIPANT, ANY LOAN PARTICIPANT, OR THE INDENTURE TRUSTEE MAKES OR SHALL BE DEEMED TO HAVE MADE ANY REPRESENTATION OR WARRANTY, AND LESSEE HEREBY WAIVES, RELEASES AND RENOUNCES ANY REPRESENTATION OR WARRANTY OF ANY KIND, EXPRESS OR IMPLIED, AS TO THE TITLE, AIRWORTHINESS, VALUE, CONDITION, WORKMANSHIP, DESIGN, OPERATION, MERCHANTABILITY OR FITNESS FOR USE FOR A PARTICULAR PURPOSE OF THE AIRCRAFT OR ANY ENGINE OR ANY PART THEREOF, AS TO THE ABSENCE OF LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, AS TO THE ABSENCE OF ANY INFRINGEMENT OF ANY PATENT, TRADEMARK OR COPYRIGHT, OR AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, WHETHER IN STRICT OR ABSOLUTE LIABILITY OR ARISING FROM THE NEGLIGENCE OF LESSOR, INDENTURE TRUSTEE, ANY LOAN PARTICIPANT, OR THE OWNER PARTICIPANT, ACTUAL OR IMPUTED OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, except that Lessor in its individual capacity represents and warrants that on the Delivery Date Lessor shall have received whatever rights, title and interests in, to and under the Aircraft were conveyed to it by Lessee and Lessor represents, warrants and covenants in its individual capacity that the Aircraft shall be free of Lessor's Liens attributable to it in its individual capacity. Lessor also represents and warrants in its individual capacity that it is, in its individual capacity, a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act.

(b) Quiet Enjoyment. Lessor covenants that, so long as no Event of Default shall have occurred and be continuing, it will not take any action contrary to Lessee's rights under this Lease, or otherwise in any way interfere with the quiet enjoyment of the use and possession of the Aircraft, the Airframe or any Engine by Lessee or any sublessee, assignee or transferee under any sublease, assignment or transfer then in effect and permitted by the terms of this Lease.

Section 5. Return of Aircraft. (a) Return of Airframe and Engines. Upon the termination of this Lease at the end of the Term, a Renewal Term or pursuant to

Section 9 or Section 15, unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Section 9(e), 20(b) or 20(c), Lessee will return the Aircraft by delivering the same, at its own expense, to any airport chosen by Lessee in the United States which is on Lessee's route system or, if Lessor has requested storage pursuant to Section 5(d), to the location determined in accordance with Section 5(d), fully equipped with two Engines (which may be Replacement Engines), or other General Electric CF6-80C2B6 engines (or engines of the same or another manufacturer of a comparable or an improved model and suitable for installation and use on the Airframe) owned by Lessee (and each such engine shall be of the same make, model and manufacture as the other Engine or engine installed on the Airframe), duly installed thereon. At the time of such return, (A) such Airframe and Engines or engines (i) shall be, if the Aircraft is then registered under the laws of the United States, duly certificated as an airworthy aircraft by the Federal Aviation Administration or, if the Aircraft is not then registered under the laws of the United States as provided in the penultimate sentence of this Section 5(a), shall be duly certificated as an airworthy aircraft by the central civil aviation authority of the jurisdiction in which the Aircraft is then registered, and, in addition, if the Aircraft is not registrable in the United States because one of the conditions specified in the proviso to such sentence apply, shall be eligible for certification as an airworthy aircraft by the Federal Aviation Administration, (ii) shall be free and clear of all Liens (other than Lessor's Liens and Permitted Liens of the type described in clause (i) or (iii) of Section 6), (iii) shall be in as good operating condition as when delivered to Lessee hereunder, ordinary wear and tear excepted, or, in the case of any such engines owned by Lessee, shall have a value and utility at least equal to, and shall be in as good operating condition as required by the terms hereof with respect to, Engines constituting part of the Aircraft but not then installed on the Airframe and (iv) in the event that Lessee does not use a progressive overhaul program in which no out-of-service phase with respect to the Airframe exceeds 240 hours or a condition-monitored maintenance program with respect to such Engines or engines, and Lessee adopts a time-related overhaul program with respect to the Airframe or a scheduled shop visit or module change maintenance program with respect to such Engines or engines, or both, such Airframe shall have at least 1,500 hours of operation remaining to the next heavy

maintenance visit and the aggregate number of hours of operation on all such Engines or engines remaining until the next scheduled shop visit or module change shall be at least 3,000 hours and (B) such Aircraft shall, except as otherwise provided herein, be clean and in a configuration suitable for commercial passenger service, and shall be in compliance with all mandatory environmental, noise, air pollution and other standards prescribed by the Federal government of the United States of America and applicable to the Aircraft and shall have all of Lessee's and any other Person's exterior markings removed or painted over with the areas thereof refinished to match adjacent areas. In the event that Lessee has adopted a time-related overhaul program with respect to the Airframe and does not meet the above conditions with respect thereto, Lessee shall pay Lessor a dollar amount computed by multiplying (i) 115% of Lessee's direct cost (during the preceding twelve months) of such heavy maintenance visit by (ii) a fraction of which (x) the numerator shall be the difference between 1,500 hours and the actual number of hours of operation remaining on the Airframe to the next heavy maintenance visit and (y) the denominator shall be the aggregate number of hours allowable between heavy maintenance visits. In the event that Lessee has adopted a scheduled shop visit or module change program with respect to such Engines or engines and Lessee does not meet the above conditions with respect to such Engines or engines, Lessee shall pay Lessor a dollar amount computed by multiplying (i) the product of (x) 115% of Lessee's direct cost (during the preceding twelve months) of such scheduled shop visit or module change and (y) the number of Engines or engines returned by (ii) a fraction of which (A) the numerator shall be the difference between 3,000 hours and the actual aggregate number of hours of operation remaining to the next scheduled shop visit or module change for the Engines or engines on the Aircraft and (B) the denominator shall be the aggregate number of hours allowable between scheduled shop visits or module changes for such Engines or engines. At the time of such return, Lessee will, unless requested by Lessor at least 90 days prior to such time of return to retain the existing registration of the Aircraft, cause the Aircraft, if it is not then so registered, to be registered under the laws of the United States with the Federal Aviation Administration in the name of Lessor or its designee; provided that Lessee shall be relieved of its obligations under this sentence if (x) such registration is prohibited by reason of the failure of Lessor, the Owner Participant or Lessor's designee

to be eligible on such date to own an aircraft registered with the Federal Aviation Administration or (y) such registration is otherwise prohibited by applicable law and such prohibition does not result from an act or failure to act on the part of Lessee or any sublessee. In the event the Federal Aviation Administration shall issue any directive which would require improvements to the Aircraft in order for the airworthiness certificate of the Aircraft to be maintained in good standing, and if such directive by its terms is not applicable to the Aircraft prior to the return thereof pursuant to this Section 5, Lessee shall nevertheless comply with such directive if, prior to such return, (x) Lessee commences compliance with such directive with respect to any other Boeing 767-300 aircraft affected by such directive and in use by Lessee and (y) subsequent to any such commencement, the Aircraft is subjected to a maintenance check of the type at which such modification is made, in accordance with Lessee's general maintenance program.

(b) Return of Engines. In the event that any engine not owned by Lessor shall be delivered with the Airframe as set forth in paragraph (a) of this Section 5, Lessee, concurrently with such delivery, will, at its own expense, furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Lessor's Liens and Permitted Liens of the type described in clause (i) of Section 6), with respect to each such engine and with a written opinion of Lessee's counsel (which may be Lessee's General Counsel) to the effect that such bill of sale constitutes an effective instrument for the conveyance of title to such engine to Lessor, and thereupon Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to an Engine constituting part of the Aircraft but not installed on the Airframe at the time of the return of the Airframe.

(c) Fuel; Manuals. Upon the return of the Airframe pursuant to this Section 5, (i) Lessee shall have no obligation with respect to the amount of fuel or oil contained in the Airframe and all fuel or oil remaining on board the Airframe shall be the property of Lessor without charge and (ii) Lessee shall deliver or cause to be delivered to Lessor all logs, manuals and data, and inspection, modification and overhaul records required to be maintained with respect thereto under applicable rules

and regulations of the Federal Aviation Administration and, if the Aircraft has been registered under the laws of a jurisdiction other than the United States, of the applicable foreign governmental authority, and the warranty bill of sale relating to the Aircraft received from the Manufacturer.

(d) Storage upon Return. Upon written request of Lessor received at least 30 days prior to the end of the Term, Lessee will provide Lessor with storage facilities free of charge except as provided below for the Aircraft for a period not exceeding 30 days at such location in the United States on Lessee's route system used by Lessee for the storage of surplus aircraft or engines available for sale as shall be designated by Lessee; provided that Lessor may request that the Aircraft be stored at any other location in the United States on Lessee's route system used by Lessee for such purpose, in which case Lessee may, in its sole discretion, provide such facilities for such period. Any storage facilities provided by Lessee for the Aircraft pursuant to this Section 5(d) shall, in all cases, be at the cost to Lessor of insurance and Lessee's out-of-pocket costs in connection with providing such facilities (it being understood that such out-of-pocket costs shall not be deemed to include the cost of making the storage facilities available) and at the risk of Lessor. In the event Lessor, after a storage location is determined as provided in the first sentence of this Section 5(d), shall request Lessee to deliver the Aircraft to a second location, Lessee will, at Lessor's expense, fly the Aircraft within such 30-day period to a reasonable location selected by Lessor in the United States, for storage at the risk and expense of Lessor, upon receipt of evidence of insurance coverage (reasonably satisfactory to Lessee) as set forth in Section 11(a), provided that (i) Lessee shall not be required to store the Aircraft at any location used by Lessee for storage of surplus aircraft available for sale except as provided in the first sentence of this Section 5(d) and (ii) the delivery by Lessee of the Aircraft to the first location determined as provided in such sentence shall constitute delivery of the Aircraft as required by Section 5(a). Lessor, at its expense, may place such other insurance in such circumstances on the Aircraft as it may deem appropriate. Lessee shall, at Lessor's request, maintain insurance (if available) for the Aircraft during such period of storage and shall be reimbursed by Lessor for the cost thereof.

(e) Delayed Return. (i) In the event that the use of the Aircraft, Airframe or any Engine in the normal course of the business of air transportation is prohibited on the last day of the Term or the date the Aircraft is required to be redelivered pursuant to Section 9, Lessee shall, upon prompt notice of the reasons therefor to Lessor, not be required to return such Aircraft to Lessor but may retain custody and control of the Aircraft for a period not in excess of 180 days beyond the last day of the Term or such date in order to attempt in a diligent manner to remedy any condition prohibiting such use or (ii) in connection with any sublease of the Aircraft by Lessee permitted under the terms of this Lease, Lessee may at its option, upon written notice to Lessor given not less than 30 days prior to the last day of the Term or such date, extend this Lease for a period not in excess of 60 days beyond the last day of the Term in order to enable Lessee to bring the Aircraft to the condition required under this Section 5 on its return to Lessor; provided that in either case, Lessee shall pay to Lessor at monthly intervals the daily equivalent of 50% of the average annual Basic Rent payable during the Term (excluding the Interim Period) pursuant to the terms hereof for each day of such period.

(f) Overhaul. Immediately prior to the return of the Airframe and Engines or engines at the end of the Term, Lessee, upon written request of Lessor received at least 30 days prior to the end of the Term, and subject to the availability of the appropriate facilities, will overhaul or cause to be overhauled such Airframe and Engines or engines. Such overhaul shall be done in the same manner and same care as used by Lessee with similar airframes and engines of its own, and Lessor shall reimburse Lessee for such overhaul by payment of an amount equal to 110% of Lessee's actual costs in connection with such overhaul. This provision is not intended and shall not be construed to diminish or modify Lessee's other obligations under this Section 5.

Section 6. Liens. Lessee will not directly or indirectly create, incur, assume or suffer to exist any Lien on or with respect to the Airframe or any Engine, title thereto or any interest therein or in this Lease except (i) the respective rights of Lessor and Lessee as herein provided, the Lien created under the Trust Indenture, the rights of Lessor under the Purchase Agreement Assignment and the rights of the Owner Participant, the

Owner Trustee and the Indenture Trustee under the Trust Agreement, the Trust Indenture, and the Participation Agreement, (ii) the rights of others under agreements or arrangements to the extent expressly permitted by the terms of Sections 7(b) and 8(b), (iii) Lessor's Liens, Loan Participant Liens and Trustee's Liens, (iv) Liens for Taxes either not yet due or being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (v) materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the ordinary course of Lessee's business for amounts the payment of which is either not yet delinquent or is being contested in good faith (and for the payment of which adequate reserves have been provided) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or interest therein, (vi) Liens arising out of judgments or awards against Lessee with respect to which an appeal or proceeding for review is being prosecuted in good faith and with respect to which there shall have been secured a stay of execution pending such appeal or proceeding for review so long as such judgment or award does not and will not involve any material danger of the sale, forfeiture or loss of the Airframe or any Engine or any interest therein and (vii) salvage or similar rights of insurers under insurance policies maintained pursuant to Section 11. Lessee will promptly, at its own expense, take such action as may be necessary duly to discharge (by bonding or otherwise) any such Lien not excepted above if the same shall arise at any time.

Section 7. Registration, Maintenance and Operation;  
Possession; Insignia. (a) Registration, Maintenance and Operation. Lessee, at its own cost and expense, shall:

(i) forthwith upon the delivery thereof to Lessor on the Delivery Date cause the Aircraft to be duly registered, and at all times thereafter to remain duly registered, under the laws of the United States, in the name of Lessor, as owner, except (x) as otherwise required by the Federal Aviation Act, or (y) to the extent that such registration cannot be effected because of Lessor's or the Owner

Participant's failure to comply with the citizenship or other eligibility requirements for registration of aircraft under such Act; provided that Lessor shall execute and deliver all such documents as Lessee shall reasonably request for the purpose of effecting and continuing such registration. Notwithstanding the preceding sentence, but subject always to the terms and conditions set forth in Section 9(m) and 9(n) of the Participation Agreement, Lessee may cause the Aircraft to be duly registered under the laws of any jurisdiction in which a sublessee pursuant to Section 7(b)(ix) could be principally based, in the name of Lessor or of any nominee of Lessor, or, if required by applicable law, in the name of Lessee or any other Person, and shall thereafter maintain such registration unless and until changed as provided herein and therein; and Lessor will cooperate with Lessee in effecting such foreign registration;

(ii) maintain, service, repair, overhaul and test the Aircraft in accordance with a maintenance program (as approved by the Federal Aviation Administration) for Boeing 767-300 series aircraft (or, at Lessee's option, (x) in the event that the Aircraft is re-registered in another jurisdiction pursuant to Section 7(a)(i), in accordance with an aircraft maintenance program approved by the central civil aviation authority of the jurisdiction of such registration or (y) in the event of any sublease to a foreign air carrier in accordance with Section 7(b)(ix), approved by the central civil aviation authority of one of the jurisdictions specified in clause (y) of such Section 7(b)(ix)) and in the same manner and with the same care used by Lessee with respect to comparable aircraft and engines owned or operated by Lessee and utilized in similar circumstances so as to keep the Aircraft in as good operating condition as when delivered to Lessee by the Manufacturer, ordinary wear and tear excepted, and in such condition as may be necessary to enable the airworthiness certification of the Aircraft to be maintained in good standing at all times (other than during temporary periods of storage in accordance with applicable regulations or during periods of grounding by applicable governmental authorities, except where such periods of grounding are the result of the failure by Lessee to maintain the Aircraft as

otherwise required herein) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction and in compliance with all applicable manufacturer's alert service bulletins;

(iii) maintain, in the English language, all records, logs and other materials required by the appropriate authorities in the jurisdiction where the Aircraft is registered to be maintained in respect of the Aircraft; and

(iv) promptly furnish to Lessor such information as may be required to enable Lessor to file any reports, returns or statements required to be filed by Lessor with any governmental authority because of Lessor's or the Owner Participant's interest in the Aircraft.

Lessee agrees that the Aircraft will not be maintained, used or operated in violation of any law or any rule, regulation or order of any government or governmental authority having jurisdiction (domestic or foreign), or in violation of any airworthiness certificate, license or registration relating to the Aircraft issued by any such authority; provided that Lessee shall not be in default under this sentence if it is not possible for it to comply with the laws of a jurisdiction other than the United States (or other than any jurisdiction in which the Aircraft is then registered) because of a conflict with the applicable laws of the United States (or such jurisdiction in which the Aircraft is then registered). In the event that any such law, rule, regulation or order requires alteration of the Aircraft, Lessee will conform thereto or obtain conformance therewith at no expense to Lessor and will maintain the Aircraft in proper operating condition under such laws, rules, regulations and orders; provided, however, that Lessee may, in good faith, contest the validity or application of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture, provided that neither noncompliance with such law, rule, regulation or order nor such proceedings shall involve any danger of criminal liability to Lessor or the Owner Participant or (unless Lessee shall have provided security reasonably satisfactory to Lessor) any material danger of the sale, forfeiture or loss (or loss of use) of the

Aircraft. Lessee also agrees not to operate or locate the Aircraft, or suffer the Aircraft to be operated or located, (i) in any area excluded from coverage by any insurance required by the terms of Section 11, except in the case of a requisition for use by any Government where Lessee obtains indemnity pursuant to Section 11 in lieu of such insurance from such Government against the risks and in the amounts required by Section 11 covering such area, or (ii) in any war zone or recognized or, in Lessee's judgment, threatened area of hostilities unless covered by war risk insurance in accordance with Section 11, but only so long as the same remains in effect while the Aircraft is so operated or located, or unless the Aircraft is operated or used under contract with any Government entered into pursuant to Section 11, under which contract such Government assumes liability for any damage, loss, destruction or failure to return possession of the Aircraft at the end of the term of such contract or for injury to persons or damage to property of others.

(b) Possession. Lessee will not, without the prior written consent of Lessor, sublease or otherwise in any manner deliver, transfer or relinquish possession of the Airframe or any Engine or install any Engine, or permit any Engine to be installed, on any airframe other than the Airframe; provided that, so long as no Event of Default shall have occurred and be continuing, and so long as the action to be taken shall not deprive the Indenture Trustee of the perfected lien of the Trust Indenture on the Airframe or (subject to subclause (B) of the "provided further" clause to subsection (i) of this Section 7(b)) any Engine, and in any event, so long as Lessee shall comply with the provisions of Section 11, Lessee may, without the prior consent of Lessor:

(i) subject the Airframe to normal interchange agreements or any Engine to normal interchange or pooling agreements or arrangements in each case customary in the airline industry and entered into by Lessee in the ordinary course of its business with any other United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority or with any "foreign air carrier" (as such term is defined in such Act) as to which there is in force a permit issued pursuant to Section 402 of said Act (any such United States certificated air carrier and any such foreign

air carrier being hereinafter called a "Permitted Air Carrier"); provided that no transfer of the registration of such Airframe shall be effected in connection therewith; and provided, further, that (A) no such agreement or arrangement contemplates or requires the transfer of title to the Airframe and (B) if Lessor's title to any such Engine shall be divested under any such agreement or arrangement, such divestiture shall be deemed to be an Event of Loss with respect to such Engine and Lessee shall comply with Section 10(b) in respect thereof;

(ii) deliver possession of the Airframe or any Engine to the manufacturer thereof for testing or other similar purposes or to any organization for service, repair, maintenance or overhaul work on the Airframe or such Engine or any part thereof or for alterations or modifications in or additions to the Airframe or such Engine to the extent required or permitted by the terms of Section 7(a) or 8(c);

(iii) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof pursuant to a sublease, contract or other instrument, a copy of which shall be furnished to Lessor; provided that the term of such sublease (including, without limitation, any option of the sublessee to renew or extend) or the term of possession under such contract or other instrument shall not continue beyond the end of the Term or any Renewal Term then in effect;

(iv) transfer possession of the Airframe or any Engine to the United States of America or any instrumentality or agency thereof in accordance with applicable laws, rulings, regulations or orders (including, without limitation, the Civil Reserve Air Fleet Program authorized under 10 U.S.C. Section 9511 et seq. or any substantially similar program), provided that Lessee (x) notifies Lessor of such transfer of possession of the Airframe or any Engine to the United States or any agency or instrumentality thereof and (y) provides to Lessor the name and the address of the responsible Contracting Office Representative for the Military Airlift Command of the United States within 60 days thereof;

(v) install an Engine on an airframe owned by Lessee free and clear of all Liens, except (A) those of the type permitted under clauses (ii), (iii), (iv), (v), (vi) and (vii) of Section 6 and those which apply only to the engines (other than Engines), appliances, parts, instruments, appurtenances, accessories, furnishings and other equipment (other than Parts) installed on such airframe (but not to the airframe as an entirety) and (B) the rights of other Permitted Air Carriers under normal interchange agreements which are customary in the airline industry and do not contemplate, permit or require the transfer of title to the airframe or engines installed thereon;

(vi) install an Engine on an airframe leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement; provided that (A) such airframe is free and clear of all Liens except the rights of the parties to the lease or conditional sale or other security agreement covering such airframe and except Liens of the type permitted by clauses (A) and (B) of subparagraph (v) of this paragraph of Section 7(b) and (B) Lessee shall have obtained from the lessor or secured party of such airframe a written agreement (which may be the lease or conditional sale or other security agreement covering such airframe), in form and substance satisfactory to Lessor (it being understood that an agreement from such lessor or secured party substantially in the form of the final sentence of the penultimate paragraph of this Section 7(b) shall be deemed to be satisfactory to Lessor), whereby such lessor or secured party expressly agrees that neither it nor its successors or assigns will acquire or claim any right, title or interest in any Engine by reason of such Engine being installed on such airframe at any time while such Engine is subject to this Lease or to the lien of the Trust Indenture;

(vii) install an Engine on an airframe owned by Lessee, leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement under circumstances where neither subparagraph (v) nor subparagraph (vi) of this Section 7(b) is applicable; provided that such installation shall be deemed an Event of Loss with respect to such Engine and Lessee shall comply with Section 10(b) in respect

thereof, Lessor not intending hereby to waive any right or interest it may have to or in such Engine under applicable law until compliance by Lessee with such Section 10(b); and

(viii) sublease any Engine or the Airframe and Engines or engines then installed on the Airframe to any United States air carrier as to which there is in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or successor provision that gives like authority; provided that the term of such sublease (including, without limitation, any option of the sublessee to renew or extend) shall not continue beyond the end of the Term or any Renewal Term then in effect, unless Lessee shall have agreed to purchase the Aircraft or renew this Lease in accordance with the terms hereof at the end of the Term or such Renewal Term, as the case may be, to a date beyond the end of the term of such sublease (assuming that all options to renew or extend such sublease will be exercised); and

(ix) sublease any Engine or the Airframe and Engines or engines then installed on the Airframe to (A) any foreign air carrier that is principally based in and a domiciliary of a country (other than Cuba, El Salvador, Iran, Iraq, Lebanon and Libya) that is at the inception of the sublease a party to the Mortgage Convention, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Exhibit B hereto, or (C) any foreign air carrier not described in clause (A) or (B) above; provided that (w) in the case only of a sublease to a foreign air carrier under clause (C) above, Lessor receives at the time of such sublease an opinion of counsel to Lessee (which counsel shall be reasonably satisfactory to Lessor and the Owner Participant) to the effect that (a) the terms of the sublease and the Operative Documents are legal, valid, binding and enforceable in the country in which such foreign air carrier is principally based, to substantially the same extent as the Operative Documents are at that time enforceable in the United States, (b) it is not necessary for Lessor or the Owner Participant to qualify to do business in such country solely as a result of the proposed sublease, (c) there is no tort liability of the owner of an aircraft not in possession thereof under the laws of

such country other than tort liability no more extensive or onerous than that which might have been imposed on such owner under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to Lessor and the Owner Participant, such opinion shall be waived if insurance reasonably satisfactory to Lessor and the Owner Participant is provided by Lessee to cover the risk of such liability), (d) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless Lessee shall have agreed to provide insurance reasonably satisfactory to Lessor and the Owner Participant covering the risk of requisition of use of the Aircraft by the government of such jurisdiction so long as the Aircraft is subleased in such country), and (e) there exist no possessory rights in favor of such sublessee under the laws of such country which would, upon bankruptcy of or other default by Lessee or the sublessee, prevent the return of such Engine or the Airframe and such Engine or engine to Lessor in accordance with and when permitted by the terms of Sections 14 and 15(a) hereof upon the exercise by Lessor of its remedies under Section 15(a), (x) in the case only of a sublease to a foreign air carrier under clause (C) above, each of Lessor and the Owner Participant receives assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless Lessee shall have agreed to provide the requisition insurance described in subclause (d) of clause (w) above), (y) in the case of any sublease to a foreign air carrier, either the sublease, or an arrangement existing between Lessee, the sublessee and/or one or more third parties that provide maintenance services, provides that the Aircraft will be maintained, serviced, repaired, overhauled and tested in accordance with maintenance standards for Boeing 767-300 series aircraft approved by, or substantially similar to those approved or required by, the Federal Aviation Administration or the central civil aviation authority of any of Brazil, Canada, France, The Federal Republic of Germany, Italy, Japan, the Netherlands, Sweden, Switzerland or the United Kingdom and (z) in the case of any sublease to a foreign air carrier (other than a foreign air carrier prin-

principally based in Taiwan) the United States of America maintains diplomatic relations with the country in which such foreign air carrier is principally based at the time such sublease is entered into; and provided, further, that the term of any such sublease (including, without limitation, any option of the sublessee to renew or extend) shall not continue beyond the end of the Term or any Renewal Term then in effect, unless Lessee shall have agreed to purchase the Aircraft or renew this Lease in accordance with the terms hereof at the end of the Term or such Renewal Term, as the case may be, to a date beyond the end of the term of such sublease (assuming that all options to renew or extend such sublease will be exercised);

provided that the rights of any transferee who receives possession by reason of a transfer permitted by this Section 7(b) (other than the transfer of an Engine which is deemed an Event of Loss) shall be subject and subordinate to, and any sublease permitted by this Section 7(b) shall be made expressly subject and subordinate to, all the terms of this Lease and of the Trust Indenture, including, without limitation, Lessor's rights to repossession pursuant to Section 15(a) hereof and to avoid such sublease upon such repossession and the Indenture Trustee's rights to possession pursuant to Section 4.04 of the Trust Indenture, and Lessee shall in all events remain primarily liable hereunder for the performance and observance of all of the terms and conditions of this Lease to the same extent as if such sublease or transfer had not occurred, and any such sublease shall include appropriate provisions for the maintenance (subject to clause (y) of the first proviso to Section 7(b)(ix)) and insurance of the Aircraft. No interchange agreement, pooling agreement, sublease or other relinquishment of possession of the Airframe or any Engine permitted by this Section 7(b) shall in any way discharge or diminish any of Lessee's obligations hereunder or under the other Operative Documents. With the prior written

consent of Lessor, which consent shall not be unreasonably withheld, Lessee may sub-lease the Airframe or Engines in connection with a transaction that involves such a sub-lease commencing at the inception of the transaction. Lessee may not otherwise sub-lease the Airframe or Engines. Lessee shall not sublease the Airframe or Engines to any sublessee that is the subject of a bankruptcy, insolvency or other similar proceeding at the inception of such sublease without the prior written consent of Lessor, which consent shall not be unreasonably withheld. Lessee shall, promptly upon entering into a sublease of the Airframe or Engines, notify Lessor, the Owner Participant and the Indenture Trustee of the identity of the sublessee and the term of such sublease and shall provide a copy of such sublease agreement to any of Lessor, the Owner Participant or the Indenture Trustee upon request therefrom (with economic and financial provisions and information deleted therefrom if Lessee shall so choose), provided that, except to the extent required by applicable law, such parties shall keep confidential the identity of the sublessee and the existence and terms of such sublease. Lessor hereby agrees, for the benefit of the lessor or secured party of any airframe or engine leased to Lessee or owned by Lessee subject to a conditional sale or other security agreement that Lessor will not acquire or claim, as against such lessor or secured party, any right, title or interest in any engine or engines owned by the lessor under such lease or subject to a security interest in favor of the secured party under such conditional sale or other security agreement as the result of such engine or engines being installed on the Airframe at any time while such engine or engines are subject to such lease or conditional sale or other security agreement.

Lessor acknowledges that any "wet lease" or other similar arrangement under which Lessee maintains operational control of the Aircraft shall not constitute a delivery, transfer or relinquishment of possession for purposes of this Section 7(b).

(c) Insignia. Lessee agrees to affix as promptly as practicable after the Delivery Date and thereafter to maintain in the cockpit of the Airframe adjacent to the airworthiness certificate therein and (if not prevented by applicable law or regulations or by any governmental authority) on each Engine a nameplate bearing the inscription "WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE, LESSOR", and, so long as the Airframe or such Engine shall constitute a part of the Indenture Estate, the inscription "NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE/MORTGAGEE" (such nameplate to be replaced, if necessary, with a nameplate reflecting the name of any successor Lessor or successor Indenture Trustee). Except as above provided, Lessee will not allow the name of any Person to be placed on the Airframe or on any Engine as a designation that might be interpreted as a claim of owner-

ship; provided that nothing herein contained shall prohibit Lessee (or any sublessee) from placing its customary colors and insignia on the Airframe or any Engine.

Section 8. Replacement and Pooling of Parts; Alterations, Modifications and Additions. (a) Replacement of Parts. Lessee, at its own cost and expense, will promptly replace all Parts which may from time to time be incorporated or installed in or attached to the Airframe or any Engine and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use for any reason whatsoever, except as otherwise provided in Section 8(c). In addition, Lessee may, at its own cost and expense, remove in the ordinary course of maintenance, service, repair, overhaul or testing, any Parts, whether or not worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair or rendered permanently unfit for use; provided that Lessee, except as otherwise provided in Section 8(c), will, at its own cost and expense, replace such Parts as promptly as possible. All replacement Parts shall be free and clear of all Liens (except for pooling arrangements to the extent permitted by Section 8(b) and Permitted Liens), and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Parts replaced, assuming such replaced Parts were in the condition and repair required to be maintained by the terms hereof. Title to all Parts at any time removed from the Airframe or any Engine shall remain vested in Lessor no matter where located, until such time as such Parts shall be replaced by Parts which have been incorporated or installed in or attached to the Airframe or any Engine and which meet the requirements for replacement Parts specified above. Immediately upon any replacement Part becoming incorporated or installed in or attached to the Airframe or any Engine as above provided, without further act, (i) title to the replaced Part shall thereupon vest in Lessee, free and clear of all rights of Lessor, and such replaced Part shall no longer be deemed a Part hereunder, (ii) title to such replacement Part shall thereupon vest in Lessor, free and clear of all Liens (except for Permitted Liens) and (iii) such replacement Part shall become subject to this Lease and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Parts originally incorporated or installed in or attached to the Airframe or such Engine.

(b) Pooling of Parts. Any Part removed from the Airframe or an Engine as provided in Section 8(a) may be subjected by Lessee to a normal pooling arrangement customary in the airline industry entered into in the ordinary course of Lessee's business with Permitted Air Carriers; provided that the Part replacing such removed Part shall be incorporated or installed in or attached to the Airframe or such Engine in accordance with Section 8(a) as promptly as practicable after the removal of such removed Part. In addition, any replacement Part when incorporated or installed in or attached to the Airframe or an Engine in accordance with Section 8(a) may be owned by a Permitted Air Carrier subject to such a normal pooling arrangement; provided that Lessee, at its expense, as promptly thereafter as practicable, either (i) causes title to such replacement Part to vest in Lessor in accordance with Section 8(a) by Lessee acquiring title thereto for the benefit of, and transferring such title to, Lessor, free and clear of all Liens (other than Permitted Liens) or (ii) replaces such replacement Part by incorporating or installing in or attaching to the Airframe or such Engine a further replacement Part owned by Lessee free and clear of all Liens (other than Permitted Liens) and by causing title to such further replacement Part to vest in Lessor in accordance with Section 8(a).

(c) Alterations, Modifications and Additions. Lessee, at its own expense, will make such alterations and modifications in and additions to the Airframe and the Engines as may be required from time to time to meet the standards of the Federal Aviation Administration or other governmental authority having jurisdiction in any country in or over which the Aircraft is flown; provided, however, that Lessee may, in good faith, contest the validity or application of any such standard in any reasonable manner which does not adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture, provided that neither noncompliance with such standard nor such proceedings shall involve any danger of criminal liability to Lessor or the Owner Participant or (unless Lessee shall have provided security reasonably satisfactory to Lessor) any material danger of the sale, forfeiture or loss of the Aircraft. In addition, Lessee, at its own expense, may from time to time make or cause to be made such alterations and modifications in and additions to the Airframe or any Engine as Lessee may deem desirable in the proper conduct of its business, including, without limitation, removal of Parts which Lessee deems to be obsolete

or no longer suitable or appropriate for use on the Airframe or such Engine (such Parts being referred to as "Obsolete Parts"); provided that no such alteration, modification, addition or removal shall diminish the value or utility of the Airframe or such Engine, or materially impair the condition or airworthiness thereof, below the value, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or removal assuming the Airframe or such Engine was then of the value and utility and in the condition and airworthiness required to be maintained by the terms of this Lease, except that the value (but not the utility, condition or airworthiness) of the Aircraft may be reduced by the value of Obsolete Parts which shall have been removed, if the aggregate value of all such Obsolete Parts removed from the Aircraft and not replaced shall not exceed \$500,000. Title to all Parts incorporated or installed in or attached or added to the Airframe or any Engine as the result of such alteration, modification or addition shall, without further act, vest in Lessor. Notwithstanding the foregoing, Lessee may, at any time during the Term, remove any Part; provided that (i) such Part is in addition to, and not in replacement of or substitution for, any Part originally incorporated or installed in or attached to the Airframe or such Engine at the time of delivery thereof hereunder or any Part in replacement of, or substitution for, any such Part, (ii) such Part is not required to be incorporated or installed in or attached or added to such Airframe or Engine pursuant to the first sentence of this Section 8(c), and (iii) such Part can be removed from the Airframe or such Engine without diminishing or impairing the value, utility, condition or airworthiness required to be maintained by the terms of this Lease which the Airframe or such Engine would have had at such time had such removal not occurred. Upon the removal by Lessee of any Part as provided in the immediately preceding sentence or the removal of any Obsolete Part permitted by this Section 8(c), title thereto shall, without further act, vest in Lessee and such Part shall no longer be deemed part of the Airframe or the Engine from which it was removed. Title to any such Part not removed by Lessee prior to the return of the Airframe or any Engine to Lessor hereunder shall remain vested in Lessor.

Section 9. Voluntary Termination. (a) Right of Termination.

So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option (i) to terminate this Lease at any time on or

after the fifth anniversary of the Delivery Date, if in Lessee's good faith determination (evidenced by a certificate of a Responsible Officer of Lessee to such effect) the Aircraft is surplus to Lessee's requirements or economically obsolete to Lessee, and (ii) at any time on or after the eighth anniversary of the Delivery Date to terminate this Lease for any reason whatsoever, in each case by delivering to Lessor a written notice of termination specifying a proposed date of termination (the "Termination Date") which shall be a Business Day occurring not earlier than 90 days after the date of such notice, and, if the Termination Date is a Special Termination Date, whether or not Lessee is thereby electing to purchase the Aircraft on such Special Termination Date as provided in Section 9(e). The termination of this Lease shall, subject to the terms and conditions of this Section 9, be effective on (i) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to sell the Aircraft, as provided below, the date of sale of the Aircraft, if any, referred to in Section 9(b), (ii) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft as provided in Section 9(d), the date of termination referred to in Section 9(d), or (iii) if Lessee has elected to purchase the Aircraft as provided in Section 9(e), the date of purchase referred to in Section 9(e). Where Lessee has not elected to purchase the Aircraft as provided in Section 9(e), Lessor shall give Lessee irrevocable notice of its election to sell or retain the Aircraft no later than 30 days prior to the Termination Date. In the event Lessor shall fail to give notice pursuant to the immediately preceding sentence, notice of its election to sell the Aircraft shall be deemed to have been given as of such thirtieth day prior to the Termination Date. Unless Lessor shall have given to Lessee a timely notice of its election to retain the Aircraft as provided in Section 9(d), Lessee may withdraw the termination notice referred to above at any time on or prior to the date three Business Days prior to the Termination Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, on or after the third Business Day prior to the Termination Date, a notice of termination given pursuant to this Section 9(a) or such notice is deemed withdrawn pursuant to the final sentence of Section 9(b), Lessee will reimburse Lessor and the Owner Participant for any reasonable out-of-pocket expenses incurred by it in connection with the proposed sale, except Lessee shall not be

obligated to reimburse Lessor and the Owner Participant for any out-of-pocket expenses to the extent Lessor shall have failed to comply with its obligations under this Section 9. Lessee shall not be entitled to exercise its right of termination provided for in this Section 9(a) more than four times during the Term (not including for purposes of this sentence any exercise by Lessee of such right of termination immediately following a failure of this Lease to be terminated by reason of Lessor's failure to comply with its obligations under this Section 9).

(b) Sale of Aircraft. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected or is deemed to have elected to sell the Aircraft pursuant to Section 9(a), Lessee will have the option of acting as non-exclusive agent for Lessor to obtain bids for the cash purchase on or prior to the Termination Date of the Aircraft. Lessor agrees to pay Lessee a commercially reasonable brokerage fee based on the then current industry practice in the event that Lessee locates the Person who purchases the Aircraft pursuant to this Section 9(b). If Lessee acts as such agent, no later than ten Business Days prior to the Termination Date, Lessee shall certify to Lessor in writing the amount and terms of each cash bid received by Lessee and the name and the address of the Person submitting each such bid. Lessor may (but need not) also, at its expense (which expense, including without limitation any broker's or finder's fees, shall be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Termination Date, certify to Lessee in writing the amount and terms of such bid and the name and address of the Person submitting such bid. Neither the Owner Participant, Lessee, nor any Affiliate of either may submit a bid for the Aircraft, directly or indirectly, in connection with such proposed sale. On the Termination Date (or such other date of sale as may be agreed to by Lessor and Lessee, which shall thereafter be deemed the Termination Date), (x) Lessee shall, subject to receipt (i) by Lessor (or, so long as the Trust Indenture shall not have been discharged, the Indenture Trustee) of the full purchase price thereof and all amounts owing to Lessor pursuant to the next sentence, and (ii) by the Persons entitled thereto of all unpaid Supplemental Rent due on or before the Termination Date, deliver the Aircraft at a location selected by Lessee to the Person who

shall have submitted the highest cash bid net of any broker's or finder's fees (or such other purchaser acceptable to Lessor and Lessee), in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) Lessor shall simultaneously therewith sell, without recourse or warranty (except as to Lessor's Liens), for cash all of Lessor's right, title and interest in and to the Aircraft to such highest net cash bidder (or other purchaser). The total selling price realized at such sale shall be retained by Lessor (or, so long as the Trust Indenture shall not have been discharged, distributed by the Indenture Trustee pursuant to the terms of the Trust Indenture) and, in addition, on the Termination Date, Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), an amount equal to (I) the sum of (1) the excess, if any, of (A) the Termination Value for the Aircraft as of the Termination Date, over (B) the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person), plus (2) all Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates) due and owing on the Termination Date, plus (3) (A) if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), or (B) if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, plus (4) all Basic Rent due and payable prior to the Termination Date and unpaid, less (II) any credit to which Lessee may be entitled as hereinafter provided in this Section 9(b). Subject always to the provisions of the penultimate paragraph of Section 3(b), if the Termination Date with respect to which Termination Value is determined is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period

Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall be entitled to a credit against the amounts payable by it pursuant to this Section 9(b) in an amount equal to the lesser of (x) the Unearned Advance Basic Rent as of the Termination Date, and (y) the amount, if any, by which the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person) exceeds the Termination Value for the Aircraft as of the Termination Date; provided that, in the event that the amount calculated pursuant to this sentence to be credited exceeds the amounts payable by Lessee pursuant to this Section 9(b), the Owner Participant shall be obligated to rebate an amount equal to such excess to Lessee. If on or prior to the scheduled Termination Date no sale of the Aircraft shall have occurred and if Lessor shall not have elected to retain the Aircraft in accordance with Section 9(d) or Lessee shall not have elected to purchase the Aircraft in accordance with Section 9(e), Lessee's notice given pursuant to Section 9(a) shall be deemed to be withdrawn as of such scheduled Termination Date and this Lease shall continue in full force and effect.

(c) Certain Obligations upon Sale of Aircraft. Upon the sale of the Aircraft pursuant to and in accordance with the provisions of Section 9(b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of the Aircraft under Section 9(b), other than to transfer to the purchaser of the Aircraft (or to such purchaser and to Lessee, as the case may be), without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft against receipt of the payments provided for herein, and to pay the amounts, if any, required to be paid by Lessor under Section 9(b) or this Section 9(c), and to request the Indenture Trustee upon the sale of the Aircraft pursuant to Section 9(b) to execute and deliver to such purchaser (or to such purchaser and to Lessee, as the case may be) an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase

Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. Lessor agrees to notify promptly Lessee of the appointment by Lessor of any broker or finder (other than Lessee) in connection with the sale of the Aircraft pursuant to Section 9(b) and, subject to Section 9(b), to pay the fees or commissions of any such broker or finder employed by Lessor in connection with the sale of the Aircraft pursuant to Section 9(b).

(d) Retention of Aircraft by Lessor. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft pursuant to Section 9(a), on the Termination Date specified in Lessee's termination notice, Lessor shall pay, or cause to be paid, to the Indenture Trustee funds of the type and in an amount equal to (1) the aggregate outstanding principal amount of the Certificates and all accrued interest thereon, plus (2) all other sums due and payable on such Termination Date under the Trust Indenture, the Participation Agreement or such Certificates including the Break Amount and Increased Costs, if any. Subject to receipt by the Indenture Trustee of such funds, on the Termination Date, (i) Lessee (x) shall deliver the Aircraft to Lessor in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) all Supplemental Rent (including, without limitation, Break Amount, if any, on the Certificates), other than Termination Value, and, if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, and all Basic Rent due and payable prior to the Termination Date and unpaid, less (B) any credit to which Lessee may be entitled as hereinafter in this Sec-

tion 9(d) provided, and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft, and (y) shall request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. If the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, subject always to the provisions of the penultimate paragraph of Section 3(b), be entitled to a credit against the amounts payable by it pursuant to this Section 9(d) in an amount equal to the Unearned Advance Basic Rent as of the Termination Date; provided that in the event that the Unearned Advance Basic Rent exceeds the amount payable by Lessee pursuant to this Section 9(d), the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee. If Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) and as a result thereof this Lease shall not be terminated on a proposed Termination Date, Lessor shall thereafter no longer be entitled to exercise its election to retain the Aircraft and Lessee may at its option at any time thereafter submit a new termination notice pursuant to Section 9(a).

(e) Purchase of Aircraft by Lessee. In the event that Lessee shall have elected to purchase the Aircraft on a Special Termination Date pursuant to Section 9(a), on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greater of (I) the Termination Value for the Aircraft, computed as of the Special Termination Date, and (II) the then fair market sales value of the Aircraft, as determined by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal. On such Special Termination Date, (x) Lessee (i) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3 (d), all unpaid Supplemental Rent (including, without limitation, Break Amount, if any, on the Certifi-

cates), other than Termination Value, due and owing on such Special Termination Date, all Basic Rent due and payable prior to the Special Termination Date and unpaid and the Basic Rent installment due and payable on the Special Termination Date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) and (ii) at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), the Special Termination Price, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates (including, without limitation, any scheduled payment of principal of, Break Amount, if any, on, or accrued interest on, the Certificates due and payable on the Special Termination Date but only to the extent that the Basic Rent installment payable by Lessee pursuant to clause (i) above does not cover such scheduled payment of principal of or accrued interest on the Certificates but excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Termination Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee) in accordance with Section 2.16 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Termination Price over an amount equal to the sum of the principal of, and any accrued and unpaid interest on, the outstanding Certificates on such Special Termination Date, after taking into account any payments of principal or interest made in respect of the outstanding Certificates on such Special Termination Date, and (y) Lessor will sell to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Aircraft and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates as provided for above, Lessor will request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(f) Termination of Lease, Etc. Upon the sale or retention or purchase of the Aircraft, as the case may be, in compliance with the provisions of this Section 9, (i) the obligation of Lessee to pay Basic Rent under Section 3(b) on any Lease Period Date occurring subsequent to the applicable Termination Value Determination Date, and (ii) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f)), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 10 of the Tax Indemnity Agreement, or (y) in respect of liabilities and obligations of Lessee which have accrued under any Operative Document but not been paid or which are in dispute as of the date of such sale or retention) shall cease as of the Termination Date and, in each case, the Term shall end effective as of the Termination Date.

(g) Termination as to Engines. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option at any time, on at least 60 days' prior written notice to Lessor, to terminate this Lease with respect to any Engine. In such event, and prior to the date of such termination, Lessee shall replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine.

Section 10. Loss, Destruction, Requisition, Etc. (a) Event of Loss with Respect to the Airframe. Upon the occurrence of an Event of Loss with respect to the Airframe, Lessee shall forthwith (and, in any event, within 30 days after such occurrence) give Lessor notice of such Event of Loss and of its election to perform one of the following options (it being agreed that, if Lessee shall not have given notice of such election within such 30 days after such occurrence, Lessee shall be deemed to have elected to perform the option set forth in the following clause (ii)):

(i) as promptly as practicable, and in any event on or before the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss, in replacement for the Airframe, Lessee shall convey or cause to be conveyed to Lessor title to a Replacement Airframe (together with the same number of Replacement Engines as the Engines, if any, installed on the Airframe at the

time such Event of Loss occurred) to be leased to Lessee hereunder, such Replacement Airframe and Replacement Engines to be free and clear of all Liens (other than Permitted Liens), to have a value and utility at least equal to, and to be in as good operating condition as, the Airframe and Engines, if any, so replaced (assuming such Airframe and Engines were in the condition and repair required by the terms of this Lease); provided that, if Lessee shall not perform its obligation to effect such replacement under this clause (i) during the period of time provided herein, then Lessee shall pay on the fifteenth day next following the end of such period to Lessor, or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d) hereof, the amounts specified in clause (ii) below; or

(ii) on or before the earlier of 30 days following the date on which insurance proceeds are received with respect to such Event of Loss and the Business Day next preceding the 121st day next following the date of occurrence of such Event of Loss or on the date specified in the proviso to clause (i) above, if such proviso is applicable (the "Loss Payment Date"), Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) the Stipulated Loss Value for the Aircraft, determined as of the Loss Payment Date, plus (B) all Supplemental Rent (including, without limitation, the Break Amount, if any, on the Certificates) due and owing on such Loss Payment Date, plus (C) if the Casualty Loss Determination Date with respect to the Stipulated Loss Value is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), plus (D) all Basic Rent due and payable prior to the Casualty Loss Determination Date and unpaid.

In the event of payment in full of the Stipulated Loss Value for the Aircraft and all amounts payable pursuant to this Section 10, (1) the obligation of Lessee to pay any Basic Rent under Section 3(b) on any Lease

Period Date occurring subsequent to the Casualty Loss Determination Date with respect to which Stipulated Loss Value is determined shall terminate, (2) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 10 of the Tax Indemnity Agreement or Section 7(d) of the Participation Agreement, or (y) in respect of liabilities and obligations of Lessee which have accrued under any of the Operative Documents but not been paid or which are in dispute as of the date of such payment) shall terminate, (3) the Term for the Aircraft shall end, (4) Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to the Airframe and Engines (if any) with respect to which such Event of Loss occurred, as well as all Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but not installed thereon when such Event of Loss occurred, and (5) Lessor will assign to or as directed by Lessee all claims of Lessor against third Persons relating to such Airframe and Engines arising from such Event of Loss. Upon such transfer, Lessor shall request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereof thereunder.

At the time of or prior to any replacement of the Airframe and such Engines, if any, Lessee, at its own expense, will (A) furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Permitted Liens) with respect to the Replacement Airframe and Replacement Engines, if any, together with an assignment of any and all manufacturer's warranties applicable thereto (to the extent such warranties may be so assigned by Lessee) in a form substantially similar to the Form of Purchase Agreement Assignment attached as Exhibit III to the Participation Agreement, (B) cause a Lease Supplement substantially in the form of Exhibit A hereto, subjecting such Replacement Airframe and Replacement Engines, if any, to this Lease, and duly executed by Lessee, to be delivered to Lessor for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America

in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (C) so long as the Trust Indenture shall not have been satisfied and discharged, cause a Trust Agreement and Indenture Supplement substantially in the form of Exhibit A to the Trust Indenture or other requisite documents or instruments for such Replacement Airframe and Replacement Engines, if any, to be delivered to Lessor and to the Indenture Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (D) so long as the Trust Indenture shall not have been satisfied and discharged, cause a financing statement or statements with respect to the Replacement Airframe and Replacement Engines, if any, or other requisite documents or instruments to be filed in such place or places as necessary in order to perfect the security interest therein created by or pursuant to the Trust Indenture, or, if necessary, pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (E) furnish Lessor and the Indenture Trustee with an opinion of Lessee's counsel addressed to each (which may be Lessee's General Counsel), to the effect that the bill of sale referred to in clause (A) above constitutes an effective instrument for the conveyance of title to the Replacement Airframe and Replacement Engines, if any, to Lessor and to the further effect that upon such conveyance such substituted property will be leased hereunder and subjected to the lien of the Trust Indenture, (F) furnish Lessor with a certificate of an independent aircraft engineer or appraiser certifying that the Replacement Airframe and Replacement Engines, if any, have a value and utility at least equal to, and are in as good operating condition as, the Airframe and Engines, if any, so replaced assuming such Airframe and Engines were in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (G) furnish Lessor and the Indenture Trustee with (i) such evidence of compliance with the insurance provisions of Section 11 with respect to such Replacement Airframe and Replacement Engines as Lessor may reasonably request and (ii) a certificate from a Responsible Officer of Lessee certifying that at the time of such replacement

there is no continuing Event of Default, and (H) furnish Lessor and the Indenture Trustee with an opinion of Lessee's counsel (which may be Lessee's General Counsel) addressed to each, to the effect that the Owner Trustee, as Lessor under the Lease, and the Indenture Trustee, as assignee of the Owner Trustee's rights under the Lease pursuant to the Indenture, should be entitled to the benefits of Title 11 U.S.C. Section 1110 with respect to the Replacement Airframe, provided that (i) such opinion need not be delivered to the extent that, by reason of a change in law or in judicial or other governmental interpretation thereof, the benefits of such Section 1110 were not available to the Owner Trustee or the Indenture Trustee with respect to the Aircraft immediately prior to such substitution and (ii) such opinion may contain qualifications and assumptions of the tenor contained in the opinion of Debevoise & Plimpton delivered pursuant to Section 4(J) of the Participation Agreement on the Delivery Date. In the case of each Replacement Airframe and each Replacement Engine, if any, conveyed to Lessor under this Section 10, and each Replacement Engine conveyed to Lessor under this Section 10, promptly upon the registration of the Replacement Aircraft and the recordation of the Lease Supplement and the Trust Agreement and Indenture Supplement or other requisite documents or instruments covering such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine pursuant to the Federal Aviation Act (or pursuant to the applicable laws of the jurisdiction in which such Replacement Airframe and Replacement Engines, if any, or such Replacement Engine, are to be registered in accordance with Section 7(a)), Lessee will cause to be delivered to Lessor and the Indenture Trustee an opinion of counsel to Lessee addressed to each as to the due registration of such Replacement Aircraft, the due recordation of such Lease Supplement and such Trust Agreement and Indenture Supplement or other requisite documents or instruments and the validity and perfection of the security interest in the Replacement Aircraft, Replacement Engines or Replacement Engine, as the case may be, granted to the Indenture Trustee under the Trust Indenture.

For all purposes hereof, upon passage of title thereto to Lessor the Replacement Airframe and Replacement Engines, if any, shall be deemed part of the property leased hereunder, the Replacement Airframe shall be deemed an "Airframe" as defined herein, and each such Replacement Engine shall be deemed an "Engine" as defined herein. No

such replacement of the Airframe or any Engines under the circumstances contemplated by the terms of this Section 10(a) shall result in any reduction of Basic Rent. Upon such passage of title, Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all Lessor's right, title and interest in and to the replaced Airframe and Engines (if any) installed thereon at the time such Event of Loss occurred, and upon such transfer, Lessor will request in writing that the Indenture Trustee execute and deliver to Lessee an appropriate instrument releasing such replaced Airframe and Engines (if any) installed thereon at the time such Event of Loss occurred from the lien of the Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Indenture.

(b) Event of Loss with Respect to an Engine. Upon the occurrence of an Event of Loss with respect to an Engine under circumstances in which there has not occurred an Event of Loss with respect to the Airframe, Lessee shall give Lessor prompt written notice thereof and shall, within 90 days after the occurrence of such Event of Loss, convey or cause to be conveyed to Lessor, as replacement for the Engine with respect to which such Event of Loss occurred, title to a Replacement Engine free and clear of all Liens (other than Permitted Liens) and having a value and utility at least equal to, and being in as good operating condition as, the Engine with respect to which such Event of Loss occurred, assuming such Engine was of the value and utility and in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss. Prior to or at the time of any such conveyance, Lessee, at its own expense, will (i) furnish Lessor with a warranty (as to title) bill of sale in form and substance reasonably satisfactory to Lessor (which warranty shall except Permitted Liens) with respect to such Replacement Engine, (ii) cause a Lease Supplement substantially in the form of Exhibit A hereto, subjecting such Replacement Engine to this Lease, and duly executed by Lessee, to be delivered to Lessor for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act, or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is registered, (iii) so long as the Trust Indenture shall not have been satisfied and discharged, comply with the applicable provisions thereof and cause a Trust Agreement and Inden-

ture Supplement substantially in the form of Exhibit A to the Trust Indenture or other requisite documents or instruments for such Replacement Engine to be delivered to Lessor and to the Indenture Trustee for execution and, upon such execution, to be filed for recordation pursuant to the Federal Aviation Act or, if necessary, pursuant to the applicable laws of such jurisdiction other than the United States of America in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (iv) furnish Lessor and the Indenture Trustee with an opinion of Lessee's counsel addressed to each (which may be Lessee's General Counsel) to the effect that the bill of sale referred to in clause (i) above constitutes an effective instrument for the conveyance of title to such Replacement Engine to Lessor and to the further effect that upon such conveyance such substituted property will be leased hereunder and subjected to the lien of the Trust Indenture, (v) furnish Lessor with a certificate of an aircraft engineer or appraiser (who may be an employee of Lessee) certifying that such Replacement Engine has a value and utility at least equal to, and is in as good operating condition as, the Engine so replaced assuming such Engine was in the condition and repair required by the terms hereof immediately prior to the occurrence of such Event of Loss, (vi) so long as the Trust Indenture shall not have been satisfied and discharged, cause a financing statement or statements with respect to the Replacement Engine or other requisite documents or instruments to be filed in such place or places as necessary in order to perfect the security interest therein created by or pursuant to the Trust Indenture, or, if necessary, pursuant to the applicable laws of the jurisdiction in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, and (vii) furnish Lessor and the Indenture Trustee with such evidence of compliance with the insurance provisions of Section 11 with respect to such Replacement Engine as Lessor may reasonably request. Upon full compliance by Lessee with the terms of this paragraph (b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Engine with respect to which such Event of Loss occurred, and Lessor will assign to or as directed by Lessee all claims of Lessor against third Persons relating to such Engine arising from such Event of Loss. In addition, upon such transfer Lessor shall request in writing that the Indenture Trustee execute and deliver to Lessee an appropriate instrument releasing such Engine from the

lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment (in respect solely of such Engine) from the assignment and pledge under the Trust Indenture. For all purposes hereof, each such Replacement Engine shall, after such conveyance, be deemed part of the property leased hereunder and shall be deemed an "Engine" as defined herein. No Event of Loss with respect to an Engine under the circumstances contemplated by the terms of this Section 10(b) shall result in any reduction in Basic Rent.

(c) Application of Payments from Governmental Authorities for Requisition of Title or Use. Any payments (other than insurance proceeds the application of which is provided for in Section 11) received at any time by Lessor or by Lessee from any governmental authority or other Person with respect to an Event of Loss resulting from the condemnation, confiscation, theft or seizure of, or requisition of title to or use of, the Airframe or any Engine, other than a requisition for use by any Government or by the government of the country of registry of the Aircraft not constituting an Event of Loss, will be applied as follows:

(i) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has been or is being replaced by Lessee pursuant to Section 10(a), such payments shall be paid over to, or retained by, Lessor and upon completion of such replacement be paid over to, or retained by, Lessee;

(ii) if such payments are received with respect to the Airframe or the Airframe and the Engines or engines installed on the Airframe that has not been and will not be replaced pursuant to Section 10(a), such payments shall, after reimbursement of Lessor for costs and expenses, be applied in reduction of Lessee's obligation to pay the Stipulated Loss Value required to be paid by Lessee pursuant to Section 10(a), if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss Value, and the balance, if any, of such payments remaining thereafter shall be paid over to, and retained by, Lessee and Lessor, as their interests may appear; and

(iii) if such payments are received with respect to an Engine under circumstances contemplated by Section 10(b), so much of such payments remaining after reimbursement of Lessor for costs and expenses shall be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(b) with respect to the Event of Loss for which such payments are made.

(d) Requisition for Use by the Government of the Airframe and the Engines Installed Thereon. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof), including, without limitation, pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv), of the Airframe and the Engines or engines installed on the Airframe during the Term, Lessee shall promptly notify Lessor of such requisition and all of Lessee's obligations under this Lease with respect to the Aircraft shall continue to the same extent as if such requisition had not occurred. All payments received by Lessor or Lessee from such Government or government for the use of the Airframe and Engines or engines during the Term for the Aircraft shall be paid over to, or retained by, Lessee. In the case of any requisition for use by the government of the United States (or any agency or instrumentality thereof whose obligations bear the full faith and credit of such government) of the Airframe and Engines or engines installed on the Airframe that would extend beyond the end of the Term, Lessee at its option may, by written notice to Lessor given not more than 30 nor less than 10 days before the end of the Term, elect to declare an Event of Loss with respect to the Airframe and Engines or engines. Subject to the final paragraph of this Section 10(d), such Event of Loss will be deemed to have occurred on the final day of the Term. If Lessee does not so elect to declare an Event of Loss and (1) such requisition fully terminates and (2) the Airframe and Engines or engines are returned to Lessee before the first anniversary of the end of the Term, Lessee shall be obligated to return the Airframe and the Engines or engines to Lessor pursuant to, and in all other respects to comply with the provisions of, Section 5 as soon as practicable after the Airframe and Engines or engines are returned to Lessee unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Sections 9(e), 20(b) or 20(c). In addition, Lessee shall pay to Lessor at monthly

intervals (until the earlier of (i) the return of the Aircraft to Lessor pursuant to Section 5 and (ii) the first anniversary of the end of the Term), an amount equal to the difference, if any, between (A) the daily equivalent of the lesser of (x) 50% of the average annual Basic Rent for the Aircraft payable during the Term (excluding for this purpose the Interim Period) and (y) the fair market rental value of the Aircraft for such period, and (B) the amounts received by Lessor from such government for the use of the Aircraft for such period. All payments received by Lessor or Lessee from such government for the use of such Airframe and Engines or engines during the first year after the end of the Term for the Aircraft shall be paid over to, or retained by, Lessor unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Section 9(e), 20(b) or 20(c), in which event all such payments received after such purchase shall be paid over to, or retained by, Lessee.

If an Event of Loss to the Aircraft shall have occurred as a result of a requisition for use by the government of the United States of America (or any instrumentality or agency thereof whose obligations bear the full faith and credit of such government) that shall have extended more than one year beyond the end of the Term, or if Lessee shall have elected in accordance with the third sentence of this Section 10(d) to declare an Event of Loss as a result of any such requisition that would extend beyond the end of the Term, or if an Event of Loss to the Aircraft shall have occurred as a result of a requisition for use by any other Government or government that shall have extended beyond the end of the Term, Lessor (at the direction of the Owner Participant) at its option may, by written notice to Lessee given not more than 20 days after receiving notice of any such Event of Loss or election, waive the occurrence of such Event of Loss. In the event that Lessor waives the occurrence of an Event of Loss, Lessee shall, no later than the later of (i) the date on which such Event of Default would have occurred and (ii) the tenth day after Lessee shall have received such notice from Lessor, transfer to Lessor all of Lessee's right, title and interest to the Airframe and any Engine subject to such requisition under the agreement or agreements relating to such requisition. Upon such transfer, (1) the obligation of Lessee to pay Basic Rent shall terminate, (2) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) sur-

viving pursuant to Section 10 of the Tax Indemnity Agreement or Section 7(d) of the Participation Agreement, (y) pursuant to clause (ii) of the second sentence of Section 3(c) hereof, or (z) in respect of liabilities and obligations of Lessee which have accrued under any of the Operative Documents but not been paid or which are in dispute as of the date of such transfer) shall terminate, (3) all other obligations of Lessee under the Lease, including, without limitation, any obligation to return the Aircraft in accordance with Section 5 thereof shall terminate and (4) the Term for the Aircraft shall end. In addition, in the event that any Engine shall not be subject to such requisition for use at the time of such transfer, Lessee shall return such Engine to Lessor in accordance with Section 5 hereof.

(e) Requisition for Use by the Government of an Engine. In the event of the requisition for use by any Government or by the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof) of any Engine (but not the Airframe), Lessee will replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine, and any payments received by Lessor or Lessee from such Government or government with respect to such requisition shall be paid over to, or retained by, Lessee.

(f) Application of Payments During Existence of Event of Default. Any amount referred to in clause (i), (ii) or (iii) of Section 10(c), Section 10(d) or Section 10(e) which is payable to Lessee shall not be paid to Lessee, or if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred and be continuing, but shall be paid to and held by the Lessor as security for the obligations of Lessee under this Lease and, subject to the Trust Indenture, applied against Lessee's payment obligations hereunder when and as they become due and payable, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee to the extent not applied in accordance with this sentence, provided that if any such amount has been so held by Lessor as security for more than 90 days after an Event of Default shall have occurred and during which period (i) Lessor

shall not have been limited by operation of law or otherwise from exercising remedies hereunder or (ii) Lessor shall not have commenced to exercise any remedy available to it under Section 15, then such amount shall be paid to Lessee to the extent not applied as provided above.

Section 11. Insurance. (a) Airline Liability Insurance.

Subject to the rights of Lessee to establish and maintain self-insurance with respect to bodily injury and property damage liability insurance for aircraft and engines (including the Aircraft and Engines) in the manner and to the extent specified in the next sentence, Lessee will carry, or cause to be carried, at no expense to Lessor, the Indenture Trustee or the Owner Participant, airline liability insurance (including coverage for bodily injury, contractual liability, passenger legal liability and property damage liability (exclusive of manufacturer's product liability insurance)) with respect to the Aircraft (i) in amounts which are not less than the airline liability insurance applicable to similar aircraft and engines which comprise Lessee's fleet on which Lessee carries insurance, provided that such liability insurance shall not be less than the amount certified to Lessor on the Delivery Date, (ii) of the type usually carried by corporations engaged in the same or similar business, similarly situated with Lessee, and owning or operating similar aircraft and engines and covering risks of the kind customarily insured against by Lessee (including, without limitation, war risk and allied perils insurance), and (iii) which is maintained in effect with insurers of recognized responsibility. Lessee may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(b)) with respect to all of the aircraft and engines in Lessee's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (x) 50% of the largest replacement value of any single aircraft in Lessee's fleet or (y) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which Lessee carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of Lessee from such condition as is reflected in the consolidated financial statements of Lessee at December 31, 1982, then, upon not less than 30 days' written notice from Lessor to Les-

see, Lessee will, until Lessee's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as Lessor may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies of insurance carried in accordance with this Section 11(a) and any policies taken out in substitution or replacement for any of such policies (A) shall name Lessor, as lessor of the Aircraft and in its individual capacity, the Indenture Trustee and each Participant as additional insured as their respective Interests (as defined below) may appear (and, so long as the Owner Participant is a direct or indirect subsidiary of American Telephone and Telegraph Company, shall name AT&T Capital Corporation and American Telephone and Telegraph Company, and all Affiliates of each, as additional insured), (B) shall provide that in respect of the respective Interests of Lessor, of the Indenture Trustee and of each Participant in such policies the insurance shall not be invalidated by any action or inaction of Lessee and shall insure Lessor's, the Indenture Trustee's and such Participant's (and, if applicable, the Owner Participant's Affiliates') Interests as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any substantial change is made in the policy which affects the coverage certified hereunder to Lessor, the Indenture Trustee or any Participant (or, if applicable, Affiliates of the Owner Participant), or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Lessor, the Indenture Trustee or such Participant (or, if applicable, any Affiliate of the Owner Participant) for 30 days (seven days, or such other period as is customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by Lessor, by the Indenture Trustee or by such Participant, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall provide that neither Lessor, the Indenture Trustee nor any Participant (or any Affiliate of the Owner Participant) shall have any obligation or liability for premiums, commissions, assessments or calls in connection with such insurance, (E) shall provide that the

insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) and (ii) any rights of subrogation against Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) to the extent that Lessee has waived its rights by its agreements to indemnify any such party pursuant to this Lease or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from the rights retained by Lessee shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by Lessee, (F) shall be primary without right of contribution from any other insurance which may be carried by Lessor, the Indenture Trustee or any Participant (or any Affiliate of the Owner Participant) with respect to its Interests as such in the Aircraft and (G) shall expressly provide that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. "Interests" as used in this Section 11(a) and Section 11(b) with respect to any Person means the interests of such Person in its capacity as Lessor, Owner Trustee (including in its individual capacity under the Participation Agreement), Indenture Trustee or Participant (or, if applicable, as Affiliates of the Owner Participant), as the case may be, in the leasing transaction contemplated by this Lease, the Participation Agreement and the Indenture. Lessee shall arrange for appropriate certification that the requirements of this Section 11(a) have been met to be made to Lessor, the Indenture Trustee and the Owner Participant (and the Indenture Trustee may furnish such certificates to each Loan Participant) as soon as practicable by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or

the Indenture Trustee's rights under any Operative Document, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(a) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a sublease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to Lessor and the Owner Participant, to indemnify Lessee against any of the risks which Lessee is required hereunder to insure against by such Government shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

(b) Insurance Against Loss or Damage to Aircraft. Subject to the rights of Lessee to establish and maintain self-insurance with respect to loss or damage to aircraft (including the Aircraft) in the manner and to the extent specified in the next sentence, Lessee shall maintain, or cause to be maintained, in effect with insurers of recognized responsibility, at no expense to Lessor, the Indenture Trustee or any Participant, all-risk aircraft hull insurance covering the Aircraft and all-risk coverage with respect to any Engines or Parts while removed from the Aircraft (including, without limitation, war risk and allied perils insurance if and to the extent the same is maintained by Lessee or other United States air carriers as to which there are in force certificates issued pursuant to Section 401 of the Federal Aviation Act (or any successor provision that gives like authority) and which are engaged in the same or similar business and are similarly situated with Lessee with respect to similar aircraft owned or operated by Lessee or by such United States air carriers, as the case may be, on the same routes) which is of the type and in substantially the amount usually carried by corporations engaged in the same or similar business and similarly situated with Lessee; provided that (i) such insurance (including the permitted

self-insurance) shall at all times while the Aircraft is subject to this Lease be for an amount not less than the Stipulated Loss Value for the Aircraft from time to time and (ii) such insurance need not cover an Engine while attached to an airframe not owned, leased or operated by Lessee. Lessee may self-insure, by way of deductible or premium adjustment provisions in insurance policies, the risks required to be insured against pursuant to the preceding sentence, but in no case shall the self-insurance (including the self-insurance permitted by Section 11(a)) with respect to all of the aircraft and engines in Lessee's fleet (including, without limitation, the Aircraft) exceed for any 12-month policy year the lesser of (i) 50% of the largest replacement value of any single aircraft in Lessee's fleet or (ii) 1-1/2% of the average aggregate insurable value (for the preceding year) of all aircraft (including, without limitation, the Aircraft) on which Lessee carries insurance; provided that, in the event that there shall have occurred a material adverse change in the financial condition of Lessee from such condition as is reflected in the consolidated financial statements of Lessee at December 31, 1982, then, upon not less than 30 days' written notice from Lessor to Lessee, Lessee will, until Lessee's financial condition is on an overall basis equivalent to its financial condition at December 31, 1982, reduce the self-insurance permitted hereunder to such reasonable amount as Lessor may require; provided, further, that a deductible per occurrence utilized to reduce handling that, in the case of the Aircraft, is not in excess of the amount customarily allowed as a deductible in the industry, shall be permitted in addition to the above-mentioned self-insurance. Any policies carried in accordance with this Section 11(b) and any policies taken out in substitution or replacement for any such policies (A) shall provide that any loss up to the amount of Stipulated Loss Value for any loss or damage constituting an Event of Loss with respect to the Aircraft, and any loss in excess of \$7,000,000, up to the amount of Stipulated Loss Value, for any loss or damage to the Aircraft (or Engines) not constituting an Event of Loss with respect to the Aircraft, shall be paid to the Indenture Trustee as long as the Trust Indenture shall not have been discharged pursuant to the terms and conditions thereof, and thereafter to Lessor, unless, in each case, the insurer shall have received notice that an Event of Default exists, in which case all insurance proceeds up to Stipulated Loss Value shall be payable to the Indenture Trustee or Lessor, as the case may be, (B) shall provide

that in respect of the respective Interests of Lessor, of the Indenture Trustee and of each Participant in such policies the insurance shall not be invalidated by any action or inaction of Lessee and shall insure Lessor's, the Indenture Trustee's and such Participant's Interests, as they appear, regardless of any breach or violation of any warranty, declaration or condition contained in such policies by Lessee, (C) shall provide that, if such insurance is cancelled for any reason whatever, or any material change is made in the policy which affects the coverage certified hereunder to Lessor, the Indenture Trustee or any Participant, or if such insurance is allowed to lapse for nonpayment of premium, such cancellation, change or lapse shall not be effective as to Lessor, the Indenture Trustee or such Participant for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt by Lessor, the Indenture Trustee or such Participant, respectively, of written notice from such insurers of such cancellation, change or lapse, (D) shall be primary without right of contribution from any other insurance which may be carried by Lessor, the Indenture Trustee or any Participant with respect to its Interests as such in the Aircraft and (E) shall provide that the insurers shall waive (i) any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against Lessor, the Indenture Trustee or any Participant and (ii) any rights of subrogation against Lessor, the Indenture Trustee and any Participant to the extent that Lessee has waived its rights by its agreements to indemnify any such party pursuant to this Lease or the Participation Agreement; provided that the exercise by such insurers of rights of subrogation derived from rights retained by Lessee shall not, in any way, delay payment of any claim that would otherwise be payable by such insurers but for the existence of rights of subrogation derived from rights retained by Lessee. Lessee shall arrange for appropriate certification that the requirements of this Section 11(b) have been met to be made promptly to Lessor, the Indenture Trustee and the Owner Participant (and the Indenture Trustee shall furnish such certification to each Loan Participant) by each insurer or its authorized representative with respect thereto, provided that all information contained therein shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and

employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights under any Operative Document, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(b) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority. In the case of a sublease or contract with any Government in respect of the Aircraft or any Engine, or in the case of any requisition for use of the Aircraft or any Engine by any Government, a valid agreement, reasonably satisfactory to Lessor and the Owner Participant, to indemnify Lessee against any of the risks which Lessee is required hereunder to insure against by such Government in any amount up to the Stipulated Loss Value of the Aircraft from time to time shall be considered adequate insurance to the extent of the risks and in the amounts that are the subject of any such agreement to indemnify.

As between Lessor and Lessee it is agreed that all insurance payments received under policies required to be maintained by Lessee hereunder, exclusive of any payments received in excess of the Stipulated Loss Value for the Aircraft from such policies, as the result of the occurrence of an Event of Loss with respect to the Airframe or an Engine will be applied as follows:

(x) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed on the Airframe that has been or is being replaced by Lessee as contemplated by Section 10(a), such payments shall be paid over to, or retained by, Lessor, and upon completion of such replacement be paid over to, or retained by, Lessee;

(y) if such payments are received with respect to the Airframe or the Airframe and any Engines or engines installed thereon that has not been and will not be replaced as contemplated by Section 10(a), so much of such payments remaining after reimbursement of Lessor for costs and expenses as shall not exceed the Stipulated Loss Value required to be paid by Lessee pursuant to Section 10(a) shall be applied in reduction of Lessee's obligation to pay such Stipulated Loss Value, if not already paid by Lessee, or, if already paid by Lessee, shall be applied to reimburse Lessee for its payment of such Stipulated Loss Value, and the balance, if any, of such payment remaining thereafter will be paid over to, or retained by, Lessee; and

(z) if such payments are received with respect to an Engine under the circumstances contemplated by Section 10(b), so much of such payments remaining after reimbursement of Lessor for costs and expenses shall be paid over to, or retained by, Lessee; provided that Lessee shall have fully performed the terms of Section 10(b) with respect to the Event of Loss for which such payments are made.

As between Lessor and Lessee the insurance payment for any loss or damage to the Aircraft in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee.

As between Lessor and Lessee the insurance payments for any loss or damage to the Airframe or an Engine not constituting an Event of Loss with respect to the Airframe or such Engine will be applied in payment (or to reimburse Lessee) for repairs or for replacement property in accordance with the terms of Sections 7 and 8, and any balance remaining after compliance with such Sections with respect to such loss shall be paid to Lessee. Any amount referred to in the preceding sentence or in clause (x), (y) or (z) of the second preceding paragraph which is payable to Lessee shall not be paid to Lessee or, if it has been previously paid directly to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred and be continuing, but shall be paid to and held by the Indenture Trustee, or if the Trust Indenture shall have been terminated pursuant to

the terms thereof, Lessor, as security for the obligations of Lessee under this Lease, and may be applied against Lessee's payment obligations hereunder when and as they become due and payable, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, to the extent not applied in accordance with this sentence, provided that if any such amount has been so held by Lessor as security for more than 90 days after an Event of Default shall have occurred and during which period (i) Lessor shall not have been limited by operation of law or otherwise from exercising remedies hereunder and (ii) Lessor shall not have exercised any remedy available to it under Section 15, then such amount shall be paid to Lessee.

(c) Reports, Etc. On or before the Delivery Date, and annually upon renewal of Lessee's insurance coverage, Lessee will furnish to Lessor, the Indenture Trustee and the Owner Participant (and the Indenture Trustee shall furnish to each Loan Participant) a report signed by a firm of independent aircraft insurance brokers appointed by Lessee, stating the opinion of such firm that the insurance then carried and maintained on the Aircraft complies with the terms hereof; provided that all information contained in such report shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, underwriters, lenders, rating agencies, insurance brokers and legal counsel, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights under any Operative Document, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 11(c) whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental

authority. Lessee will cause such firm to advise Lessor, the Indenture Trustee and the Owner Participant, in writing promptly of any default in the payment of any premium and of any other act or omission on the part of Lessee of which such firm has knowledge and which might invalidate or render unenforceable, in whole or in part, any insurance on the Aircraft. Lessee will also cause such firm to advise Lessor, the Indenture Trustee and the Owner Participant, in writing as promptly as practicable after such firm acquires knowledge that an interruption or reduction of any insurance carried and maintained on the Aircraft pursuant to the provisions of this Section 11 will occur.

(d) Insurance for Own Account. Nothing in this Section 11 shall limit or prohibit the Owner Participant (either directly or in the name of the Owner Trustee) or Lessee from obtaining insurance for its own account with respect to the Airframe or any Engine and any proceeds payable thereunder shall be payable as provided in the insurance policy relating thereto, provided that (i) no such insurance may be obtained which would limit or otherwise adversely affect the coverage or amounts payable under insurance required to be maintained pursuant to this Section 11, it being understood that all salvage rights to the Airframe or such Engine shall remain with Lessee's insurers at all times, and (ii) the Owner Participant may obtain hull insurance on the Aircraft only to the extent the procurement of such insurance does not have an adverse effect on Lessee's ability or cost to obtain such insurance, except that the limitation in the foregoing clause (i) on the Owner Participant's right to obtain liability insurance shall not apply during any period in which Lessee is providing a Government indemnity in lieu of the liability insurance required by Section 11(a) and the limitations in clauses (i) and (ii) on the Owner Participant's rights to obtain hull insurance shall not apply during any period in which Lessee is providing a Government indemnity in lieu of the hull insurance required by Section 11(b).

Section 12. Inspection. At all reasonable times during the Term, but upon at least 5 days' prior written notice to Lessee, Lessor or the Indenture Trustee or any of their respective authorized representatives may at their own expense and risk conduct a visual walk-around inspection of the Aircraft and any Engine (including a visual walk-around inspection of the Aircraft during any regularly scheduled heavy maintenance visit for the Air-

craft conducted by Lessee during the Term) and may inspect the books and records of Lessee relating thereto; provided that (a) such representatives shall be fully insured to the reasonable satisfaction of Lessee by Lessor or the Indenture Trustee, as the case may be, with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by Lessor, the Indenture Trustee and each Participant and shall not be furnished or disclosed by them to anyone other than (i) their Affiliates and their officers, directors and employees and those of their Affiliates, (ii) their bank examiners, auditors, accountants, agents, legal counsel, underwriters, lenders, rating agencies and authorized insurance brokers, (iii) as required by applicable law, governmental regulation or judicial process, (iv) to such other Persons as may be reasonably necessary to enforce Lessor's, the Owner Participant's or the Indenture Trustee's rights, (v) to the extent such information is made public by Lessee (including by filings with the Federal Aviation Administration or the Securities and Exchange Commission) and (vi) any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Participant's Certificates or interest in the Aircraft, as the case may be, if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any governmental authority or as may be necessary for the enforcement of this Lease by Lessor. Lessee will, upon the request of Lessor or the Indenture Trustee at any time, notify Lessor or the Indenture Trustee, as the case may be, of the time and location of the next scheduled heavy maintenance visit to be conducted by Lessee in respect of the Aircraft during the Term; provided that Lessee shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified Lessor or the Indenture Trustee pursuant to this sentence,

Lessee hereby agreeing to use reasonable efforts to notify Lessor or the Indenture Trustee, as the case may be, of any such rescheduling or change. None of Lessor, the Indenture Trustee or any Participant shall have any duty to make any such inspection and shall not incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall relieve Lessee of any of its obligations under this Lease. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of Lessee's business, and Lessee shall not be required to undertake or incur any additional liabilities in connection therewith.

Section 13. Assignment, Citizenship, Etc. Except as otherwise provided in Section 7(b) or in the case of any requisition for use by any Government referred to in Section 7(a), Lessee will not, without the prior written consent of Lessor, assign any of its rights hereunder, except as permitted by Section 13 of the Participation Agreement. Except as elsewhere herein provided or as expressly permitted by the provisions of the Participation Agreement, Lessor agrees that it will not assign or convey its right, title and interest in and to this Lease or the Aircraft; provided, however, that, in each case where so provided or permitted, the transferee shall be domiciled in the United States, shall be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and shall assume all of the obligations of Lessor under this Lease. To the extent required to entitle the Owner Trustee as Lessor under this Lease to the benefits of Section 1110 of the Bankruptcy Code, Lessee shall maintain in force a certificate issued pursuant to Section 401 of the Federal Aviation Act or any successor provision that gives like authority. The terms and provisions of this Lease shall be binding upon and inure to the benefit of Lessor and Lessee and their respective permitted successors and assigns.

Section 14. Events of Default. The following events shall constitute Events of Default (whether any such event shall be voluntary or involuntary or come about or be effected by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) and each such Event of Default shall be deemed to exist and continue so long as, but only as long as, it shall not have been remedied:

(a) Lessee shall fail to make any payment of Basic Rent, Stipulated Loss Value or Termination Value within 15 days after the same shall have become due or of any other amount of Supplemental Rent within 15 days after written notice of such failure by Lessor; or

(b) Lessee shall fail to carry and maintain insurance on or with respect to the Aircraft in accordance with the provisions of Section 11; provided that, in the case of insurance with respect to which cancellation, change or lapse for nonpayment of premium shall not be effective as to Lessor, the Indenture Trustee or the Owner Participant (or, if applicable, any Affiliate of the Owner Participant) for 30 days (seven days, or such other period as may from time to time be customarily obtainable in the industry, in the case of any war risk and allied perils coverage) after receipt of notice by Lessor, the Indenture Trustee or the Owner Participant of such cancellation, change or lapse, no such failure to carry and maintain insurance shall constitute an Event of Default hereunder until the earlier of (i) the date such failure shall have continued unremedied for a period of 20 days (five days in the case of any war risk and allied perils coverage) after receipt by Lessor of the notice of cancellation, change or lapse referred to in Section 11(a)(C) or 11(b)(C), or (ii) such insurance not being in effect as to any of Lessor, the Indenture Trustee and the Owner Participant (or, if applicable, any Affiliate of the Owner Participant); or

(c) Lessee shall operate the Aircraft at a time when public liability insurance required by Section 11(a) shall not be in effect; or

(d) Lessee shall fail to perform or observe any other covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement, any Lease Supplement, the Bills of Sale or the Purchase Agreement Assignment, and such failure shall continue unremedied for a period of 30 days after written notice thereof by Lessor; provided that, if such failure is capable of being remedied, so long as Lessee is diligently proceeding to remedy such failure (other than a failure

to perform or observe the provisions of the penultimate sentence of Section 13), no such failure shall constitute an Event of Default hereunder for a period of up to 365 days; or

(e) any material representation or warranty made by Lessee in this Lease or in the Participation Agreement, any Lease Supplement, the Bills of Sale or the Purchase Agreement Assignment or in any document furnished by Lessee pursuant hereto or thereto (other than in the Tax Indemnity Agreement or any document furnished by Lessee pursuant thereto) shall prove to have been incorrect in any material respect at the time made, and such incorrectness shall continue to be material and unremedied for a period of 30 days after written notice thereof by Lessor; or

(f) Lessee shall consent to the appointment of a receiver, trustee or liquidator of itself or of a substantial part of its property, or Lessee shall admit in writing its inability to pay its debts generally as they come due, or shall make a general assignment for the benefit of creditors; or

(g) Lessee shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegations of a petition filed against Lessee in any such proceeding, or Lessee shall by voluntary petition or answer, consent to or seek relief under the provisions of any other now existing or future bankruptcy or other similar law providing for the reorganization or winding-up of corporations, or providing for an agreement, composition, extension or adjustment with its creditors; or

(h) an order, judgment or decree shall be entered by any court of competent jurisdiction appointing, without the consent of Lessee, a receiver, trustee or liquidator of Lessee or of any substantial part of its property, or sequestering any substantial part of the property of Lessee, and any such order, judgment, or decree of appointment or sequestration shall remain in force undismitted, unstayed or unvacated for a period of 90 days after the date of entry thereof; or

(i) a petition against Lessee in a proceeding under the Federal bankruptcy laws or other insolvency laws, as now or hereafter in effect, shall be filed and shall not be withdrawn or dismissed within 90 days thereafter, or, under the provisions of any law providing for reorganization or winding-up of corporations which may apply to Lessee, any court of competent jurisdiction shall assume jurisdiction, custody or control of Lessee or of any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 90 days;

provided that, notwithstanding anything to the contrary contained in this Lease, any failure of Lessee to perform or observe any covenant, condition, or agreement herein shall not constitute an Event of Default if such failure is caused solely by reason of an event referred to in the definition of "Event of Loss" so long as Lessee is continuing to comply with the applicable terms of Section 10.

Section 15. Remedies. Upon the occurrence of any Event of Default and at any time thereafter so long as the same shall be continuing, Lessor may, at its option, declare this Lease to be in default by a written notice to Lessee (provided that this Lease shall be deemed to have been declared in default without the necessity of such written notice upon the occurrence of any Event of Default described in paragraph (g), (h) or (i) of Section 14 hereof); and at any time thereafter, so long as Lessee shall not have remedied all outstanding Events of Default, Lessor may do one or more of the following with respect to all or any part of the Airframe and any Engines as Lessor in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect; provided that during any period when the Aircraft is subject to the Civil Reserve Air Fleet Program in accordance with the provisions of Section 7(b) and in the possession of the United States government or an instrumentality or agency thereof, Lessor shall not, on account of any Event of Default, be entitled to do any of the following in such manner as to limit Lessee's control under this Lease (or any sublessee's control under any sublease permitted by the terms of this Lease) of any Airframe or any Engines, unless at least 60 days' (or such lesser period as may then be applicable under the Military Airlift Command Program of the United States Government) prior written notice of

default hereunder shall have been given by Lessor by registered or certified mail to Lessee (or any sublessee) with a copy addressed to the Contracting Office Representative for the Military Airlift Command of the United States Air Force under any contract with Lessee (or any sublessee) relating to the Aircraft:

(a) cause Lessee, upon the written demand of Lessor and at Lessee's expense, to return promptly, and Lessee shall return promptly, all or such part of the Airframe or any Engine as Lessor may so demand to Lessor or its order in the manner and condition required by, and otherwise in accordance with all the provisions of, Section 5, as if the Airframe or such Engine were being returned at the end of the Term, or Lessor, at its option, may enter upon the premises where all or any part of the Airframe or any Engine are located and take immediate possession of and remove the same (together with any engine which is not an Engine but which is installed on the Airframe, subject to all of the rights of the owner, lessor, lienor or secured party of such engine; provided that the Airframe with an engine (which is not an Engine) installed thereon may be flown or returned only to a location within the continental United States, and such engine shall be held for the account of any such owner, lessor, lienor or secured party or, if owned by Lessee, may, at the option of Lessor, be exchanged with Lessee for an Engine in accordance with the provisions of Section 5(b)) by summary proceedings or otherwise, all without liability accruing to Lessor for or by reason of such entry or taking of possession or removal, whether for the restoration of damage to property caused by such taking or otherwise;

(b) sell all or any part of the Airframe and any Engine at public or private sale, whether or not Lessor shall at the time have possession thereof, as Lessor may determine, or otherwise dispose of, hold, use, operate, lease to others or keep idle all or any part of the Airframe or such Engine as Lessor, in its sole discretion, may determine, all free and clear of any rights of Lessee except as hereinafter set forth in this Section 15 and without any duty to account to Lessee with respect to such action or inaction or for any proceeds with respect thereto, except to the extent required by paragraph (d) below if Lessor elects to exercise its rights under such para-

graph (d) in lieu of its rights under paragraph (c) below;

(c) whether or not Lessor shall have exercised, or shall thereafter at any time exercise, any of its rights under paragraph (a) or paragraph (b) above with respect to all or any part of the Airframe or any Engine, Lessor, by written notice to Lessee specifying a payment date (which date shall be deemed to be a "Termination Date" for purposes of computing Termination Value) which shall be not earlier than 30 days from the date of such notice, may demand that Lessee pay to Lessor, and Lessee shall pay Lessor, on the payment date specified in such notice, as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for Lease Periods commencing on or after the Lease Period Date next preceding the payment date specified in such notice), if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, less any credit to which Lessee shall be entitled as hereinafter in this Section 15(c) provided, plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice (together with interest, if any, on such amount at the applicable Overdue Rate from the Termination Date to but excluding the date of actual payment): (i) an amount equal to the excess, if any, of the Termination Value for the Airframe or such Engine or part thereof, computed as of the payment date specified in such notice, over the aggregate fair market rental value (computed as hereafter provided in this Section 15) of the Airframe or such Engine or part thereof for the remainder of the Term, after discounting such aggregate fair market rental value semi-annually (effective on the Lease Period Dates) to present worth as of the payment date specified in

such notice at the Assumed Debt Rate; or (ii) an amount equal to the excess, if any, of the Termination Value for the Airframe or such Engine or part thereof computed as of the payment date specified in such notice, over the fair market sales value (computed as hereafter provided in this Section 15) of the Airframe or such Engine or part thereof as of the payment date specified in such notice; provided that if the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, if and so long as it shall have paid in full all Rent otherwise payable by it hereunder or pursuant hereto, be entitled to a credit against the amounts payable by it pursuant to this Section 15(c) in an amount equal to the lesser of the Unearned Advance Basic Rent as of the Termination Date and the amount, if any, by which such aggregate fair market rental value or such fair market sales value, as the case may be, exceeds such Termination Value; and provided, further, that in the event that the amount calculated pursuant to this sentence to be credited exceeds the amount payable by Lessee pursuant to this Section 15(c) and any other amounts payable by Lessee hereunder as a result of the applicable Event of Default or the exercise of Lessor's remedies with respect thereto, the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee;

(d) in the event Lessor, pursuant to paragraph (b) above, shall have sold all or any part of the Airframe or any Engine, Lessor, in lieu of exercising its rights under paragraph (c) above with respect to the Airframe or such Engine or part thereof, may, if it shall so elect, demand that Lessee pay Lessor, and Lessee shall pay to Lessor, on the date of such sale (which date shall be deemed a "Termination Date" for purposes of computing Termination Value), as liquidated damages for loss of a bargain and not as a penalty (in lieu of the Basic Rent due for Lease Periods commencing on or after the Lease Period Date next preceding the date of such sale), if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and

agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, less any credit to which Lessee shall be entitled as hereinafter in this Section 15(d) provided, plus the amount of any deficiency between the net proceeds of such sale and the Termination Value for the Airframe or such Engine or part thereof, computed as of the date of such sale; provided that if the Termination Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, if and so long as it shall have paid in full all Rent otherwise payable by it hereunder or pursuant hereto, be entitled to a credit against the amounts payable by it pursuant to this Section 15(d) in an amount equal to the lesser of the Unearned Advance Basic Rent as of the Termination Date and the amount, if any, by which such net proceeds of such sale exceed such Termination Value; and provided, further, that in the event that the amount calculated pursuant to this sentence to be credited exceeds the amount payable by Lessee pursuant to this Section 15(d) and any other amounts payable by Lessee hereunder as a result of the applicable Event of Default or the exercise of Lessor's remedies with respect thereto, the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee; and

(e) Lessor may rescind this Lease as to the Airframe and any or all Engines, or may exercise any other right or remedy which may be available to it under applicable law or proceed by appropriate court action to enforce the terms or to recover damages for the breach hereof.

In addition, Lessee shall be liable, except as otherwise provided in paragraphs (c) and (d) above and

without limiting the effect of the penultimate sentence of Section 3(c), without duplication of any amounts payable hereunder, for any and all unpaid Rent due hereunder before, after or during the exercise of any of the foregoing remedies and for all legal fees and other costs and expenses incurred by reason of the occurrence of any Event of Default or the exercise of Lessor's remedies with respect thereto, including all costs and expenses incurred in connection with the retaking or return of the Airframe or any Engine in accordance with the terms of Section 5 or in placing such Airframe or Engine in the condition and airworthiness required by such Section; provided that, if Lessee returns or surrenders possession of all or any part of the Airframe or any Engine in accordance with this Section 15 and Lessor does not within 365 days after the date of such return or surrender exercise its rights under paragraph (c) or (d) above with respect to such Airframe or Engine or part thereof, there shall be deducted from each payment of Basic Rent becoming due after the expiration of such 365-day period an amount equal to the quotient obtained by dividing the aggregate fair market rental value (computed as hereafter provided in this Section 15) of such Airframe or Engine or part thereof, for the remainder of the Term after the expiration of such 365-day period (computed as of the date of such expiration), by the number of Basic Rent installments remaining with respect to the Aircraft after the expiration of such 365-day period to the end of the Term; and provided, further, that Lessor and Lessee agree that, notwithstanding anything to the contrary set forth in this Lease, the Trust Indenture, the Participation Agreement, the Tax Indemnity Agreement or any other document or instrument relating hereto or thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of the Break Amount, if any, payable with respect to the Certificates as a result of (x) a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture as a result of an Indenture Default that does not also constitute an Event of Default or (y) an Indenture Default that does not also constitute an Event of Default. For purposes of paragraph (c) above and the preceding sentence, the "aggregate fair market rental value" or the "fair market sales value" of the Airframe or any Engine or any part thereof shall be as specified in an Independent Appraisal. At any sale of the Airframe or any Engine or part thereof pursuant to this Section 15, Lessor or the Owner Participant may bid for and purchase such property. Except as otherwise expressly provided above,

no remedy referred to in this Section 15 is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to above or otherwise available to Lessor at law or in equity; and the exercise or beginning of exercise by Lessor of any one or more of such remedies shall not preclude the simultaneous or later exercise by Lessor of any or all of such other remedies. No express or implied waiver by Lessor of any Event of Default shall in any way be, or be construed to be, a waiver of any future or subsequent Event of Default.

Section 16. Single Transaction. Lessor and Lessee agree that the transactions contemplated by this Lease, the Participation Agreement, the Tax Indemnity Agreement, the other Operative Documents and the Rent Schedule are intended to and shall be construed to constitute one transaction. Lessee and Lessor hereby acknowledge that this Lease is a "lease" for purposes of Section 1110 of the Bankruptcy Code. So long as said Section 1110, or any successor or compatible provision affording protection to lessors of aircraft from the automatic stay under the Bankruptcy Code (then in effect) is in effect, to the extent permitted by applicable law, Lessee hereby agrees that it will not, in connection with any bankruptcy proceeding involving Lessee, take a position in the United States Bankruptcy Court that is inconsistent with Lessor's rights (or the rights of the Indenture Trustee, as assignee of Lessor) under said Section 1110 or said successor or comparable provision.

Section 17. Further Assurances; Financial Information. Forthwith upon the execution and delivery of each Lease Supplement and Trust Agreement and Indenture Supplement, Lessee will cause such Lease Supplement and Trust Agreement and Indenture Supplement (and, in the case of the initial Lease Supplement and Trust Agreement and Indenture Supplement with respect to the Aircraft, this Lease, the Trust Indenture and the Trust Agreement) to be duly filed and recorded in accordance with the Federal Aviation Act. In addition, each of Lessor and Lessee will promptly and duly execute and deliver to the other party hereto such further documents and assurances and take such further action as such other party may from time to time reasonably request in order effectively to carry out the intent and purpose of this Lease, including, without limitation, if requested by Lessor, the execution and delivery of supplements or amendments hereto or, in the case of Lessor, to the Trust Indenture, in recordable form, sub-

jecting to this Lease and, in the case of Lessor, to the Trust Indenture, any Replacement Airframe or Replacement Engine and the recording or filing of counterparts hereof or thereof, in accordance with the laws of such jurisdictions as Lessor may from time to time deem advisable; provided that this sentence is not intended to impose upon Lessee any additional liabilities not otherwise contemplated by this Lease and the Participation Agreement. Lessee also agrees to furnish Lessor, the Owner Participant and the Indenture Trustee (i) within 60 days after the end of each of the first three quarterly fiscal periods in each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries prepared by it as of the close of such period, together with the related consolidated statements of income and cash flows for such period, (ii) within 120 days after the close of each fiscal year of Lessee, a consolidated balance sheet of Lessee and its consolidated subsidiaries as of the close of such fiscal year, together with the related consolidated statements of income and cash flows for such fiscal year, as certified by independent public accountants, (iii) within 120 days after the close of each fiscal year of Lessee, a certificate of Lessee, signed by a Responsible Officer of Lessee and addressed to Lessor, the Indenture Trustee and the Owner Participant, to the effect that the signer has reviewed the relevant terms of this Lease and the Participation Agreement and has made, or caused to be made under his supervision, a review of the transactions and condition of Lessee during the accounting period covered by the financial statements referred to in clause (ii) above, and that such review has not disclosed the existence during such accounting period, nor does the signer have knowledge of the existence as at the date of such certificate, of any condition or event which constitutes an Event of Default or which, after notice or lapse of time or both, would constitute an Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action Lessee has taken or is taking or proposes to take with respect thereto, and (iv) from time to time such other non-confidential information as Lessor may reasonably request.

Section 18. Notices. All notices required under the terms and provisions of this Lease shall be in English and in writing, and any such notice may be given by United States mail, courier service, telegram, telex, cable or facsimile (confirmed by telephone or in writing

in the case of notice by telegram, telex, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered (i) if to Lessee, to P.O. Box 619616, Dallas/Fort Worth International Airport, Texas 75261-9616, Attention: Treasurer, or at 4333 Amon Carter Boulevard, Fort Worth, Texas 76155, Attention: Treasurer, Telex: 4630158, Facsimile: (817) 967-4318, Telephone: (817) 963-1234 or to such other address as Lessee shall from time to time designate in writing to Lessor, (ii) if to Lessor, to Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-3), Telex: 835437, Answerback: WILM TR, Facsimile: (302) 651-8464, Telephone: (302) 651-1000, or to such other address as Lessor shall from time to time designate in writing to Lessee, (iii) if to the Owner Participant or the Original Loan Participant, to their respective addresses set forth on the signature pages of the Participation Agreement, or to such other address as the Owner Participant or any Loan Participant shall from time to time designate in writing to Lessee and Lessor, and (iv) if to the Indenture Trustee, to 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-3), Facsimile: (404) 607-6534, Telephone: (404) 607-4680, or such other address as the Indenture Trustee shall from time to time designate in writing to Lessor and Lessee. Prior to the discharge of the lien of the Trust Indenture, Lessee shall furnish the Indenture Trustee directly with a copy of each report, notice, request, demand, certificate, financial statement or other instrument or document furnished to Lessor hereunder.

Section 19. No Setoff, Counterclaim, Etc. This Lease is a net lease and it is intended that Lessee shall pay all costs and expenses of every character whether seen or unforeseen, ordinary or extraordinary, or structural or nonstructural in connection with the use, operation, maintenance, repair and reconstruction of the Airframe and each Engine by Lessee, including the costs and expenses particularly set forth in this Lease. Lessee's obligation to pay all Rent payable hereunder shall, subject to Section 3(f) and the proviso to the penultimate sentence of Section 3(c), be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, (i) any setoff, counterclaim, recoupment, defense or other right which Lessee may have against Lessor, any Participant, the Indenture Trustee or anyone else for any reason whatsoever, (ii) any defect in the

title, airworthiness, condition, design, operation or fitness for use of, or any damage to or loss or destruction of, the Aircraft, or any interruption or cessation in or prohibition of the use or possession thereof by Lessee for any reason whatsoever, (iii) any insolvency, bankruptcy, reorganization or similar proceedings by or against Lessee or any other Person or (iv) any other circumstance, happening or event whatsoever, whether or not unforeseen or similar to any of the foregoing. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except as specifically provided herein, Lessee nonetheless agrees, subject to Section 3(f), to pay to Lessor an amount equal to each Basic Rent and Supplemental Rent payment under Section 3 at the time such payment would have become due and payable in accordance with the terms hereof had this Lease not been terminated in whole or in part. Lessee hereby waives, to the extent permitted by applicable law, any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statute or otherwise, to terminate, cancel, quit or surrender this Lease except in accordance with the express terms hereof. Each payment of Rent made by Lessee shall be final as to Lessor and Lessee, and Lessee will not seek to recover all or any part of any such payment of Rent from Lessor or from the Indenture Trustee for any reason whatsoever; provided that nothing in this sentence shall be construed to modify or limit in any way Lessee's rights under Section 3(f) and the penultimate sentence of Section 3(c) or its rights to rebate under Section 9(b), 9(d), 15(c) or 15(d).

Section 20. Renewal Options; Purchase Options. (a) Renewal Options. Lessee shall have the right to extend this Lease with respect to the Aircraft for up to five additional periods of one year each (each such period being hereinafter referred to as a "Renewal Term"), each commencing at the end of the Term or a Renewal Term. Such option to renew shall be exercised upon irrevocable written notice from Lessee to Lessor given not less than 120 days prior to the commencement of the first day of each Renewal Term and if no Event of Default shall have occurred and be continuing on such date, then this Lease shall be extended for the additional period of such Renewal Term on the same conditions provided for herein, and upon such extension, the word "Term" whenever used herein shall be deemed to refer, unless the context otherwise requires, to such Renewal Term; provided that the rental payable during such Renewal Term shall be at a rental rate

equal to (i) in the case of the first Renewal Term the lesser of (x) the Renewal Term Rate and (y) the fair market rental value for the Aircraft determined within 90 days after such election by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal, and (ii) in the case of any Renewal Term thereafter, the fair market rental value of the Aircraft determined within 90 days after such election by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal; and provided, further, that the provisions of Section 9 shall not be applicable during any Renewal Term. The amounts which are payable during any such Renewal Term in respect of Termination Value as used in Section 15 and Stipulated Loss Value with respect to the Aircraft shall be determined on the basis of the fair market sales value of the Aircraft as of the commencement of such Renewal Term, amortized on a straight-line basis over such Renewal Term to the fair market sales value of the Aircraft as of the expiration of such Renewal Term, as such fair market sales value in each case is determined prior to the commencement of such Renewal Term by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, as determined by an Independent Appraisal.

(b) Special Purchase Option. On August 11, 2012, or, if such date is not a Business Day, on the next succeeding Business Day (the "Special Purchase Option Date"), Lessee shall have the right, at its option, to purchase the Aircraft. Such option to purchase the Aircraft shall be exercised irrevocably upon written notice from Lessee to Lessor given not less than 120 days prior to the Special Purchase Option Date. In the event that Lessee shall have so elected to purchase the Aircraft, on the Special Purchase Option Date, (x) Lessee shall pay the Basic Rent installment due on the Special Purchase Option Date (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), and at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), (1) an amount determined by multiplying Lessor's Cost for the Aircraft by the Special Purchase Price Percentage (the "Special Purchase Price"), plus (2) all Supplemental Rent (including, without limitation, the Break Amount, if any, on the Certificates) due and owing on such Special Purchase Option Date, plus (3) all Basic Rent due prior to and unpaid on such Special Pur-

chase Option Date, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates (including, without limitation, any scheduled payment of principal of or accrued interest on the Certificates due and payable on the Special Purchase Option Date but only to the extent that any Basic Rent installment payable by Lessee pursuant to clause (x) above or previously paid pursuant to this Lease does not cover such scheduled payment of principal or accrued interest on the Certificates and excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Purchase Option Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee in its individual capacity) in accordance with Section 2.16 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Purchase Price over an amount equal to the sum of the principal of, and any accrued and unpaid interest on (except that such unpaid interest, for purposes of this Section 20(b), shall be deemed to have accrued at the Assumed Debt Rate), the outstanding Certificates on such Special Purchase Option Date, after taking into account any payments of principal or interest made in respect of the outstanding Certificates on such Special Purchase Option Date, and (y) Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Certificates as provided for above, Lessor will request the Indenture Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the Lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(c) Purchase Option. Lessee shall have the right, at its option, at the expiration of the Term or any Renewal Term, to elect to purchase the Aircraft at a price equal to the fair market sales value of the Aircraft, as determined as provided below. Such option to purchase shall be exercised irrevocably upon written notice from Lessee to Lessor given not less than 120 days prior to the last day of the Term or any Renewal Term, as

the case may be. If Lessee shall have so elected to purchase the Aircraft, Lessor shall transfer without recourse or warranty (except as to Lessor's Liens) the Aircraft to Lessee, against payment by Lessee of the applicable purchase price and any other amounts due hereunder in immediately available funds. In order to enable Lessee to determine whether it wishes to exercise such election to purchase, the fair market sales value for the Aircraft shall, at Lessee's request made in sufficient time to permit such determination, be determined not less than 150 days prior to the end of the Term or any Renewal Term by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal.

Section 21. Successor Owner Trustee. Lessee agrees that, in the case of the appointment of any successor Owner Trustee pursuant to the terms of the Trust Agreement and Section 9(d) of the Participation Agreement, such successor Owner Trustee shall succeed to all the rights, powers and title of Lessor hereunder and shall be deemed to be Lessor of the Aircraft for all purposes without in any way altering the terms of this Lease or Lessee's obligations hereunder. Lessee further agrees that in the case of the appointment of any additional trustee to act as co-trustee or as a separate trustee pursuant to the terms of the Trust Agreement and Section 9(d) of the Participation Agreement, such additional trustee shall acquire such rights, power and title of Lessor hereunder as are specified in the instruments appointing such additional trustee, without in any way altering the terms of this Lease or Lessee's obligations hereunder. One such appointment and designation of a successor or additional Owner Trustee shall not exhaust the right to appoint and designate further successor or additional Owner Trustees pursuant to the Trust Agreement and Section 9(d) of the Participation Agreement, but such right may be exercised repeatedly as long as this Lease shall be in effect.

Section 22. Security for Lessor's Obligation to Loan Participants. In order to secure the indebtedness evidenced by the Certificates, Lessor has agreed in the Trust Indenture, among other things, to assign to the Indenture Trustee this Lease and the Lease Supplements and to mortgage in favor of the Indenture Trustee all of Lessor's right, title and interest in and to the Aircraft, subject to the reservations and conditions therein set forth. Lessee hereby consents to such assignment and to the creation of such mortgage and security interest and

acknowledges receipt of copies of the Trust Indenture and the Trust Agreement and Indenture Supplement, it being understood that such consent shall not affect any requirement or the absence of any requirement for any consent under any other circumstances. To the extent, if any, that this Lease Agreement constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in this Lease may be created through the transfer or possession of any counterpart hereof other than the original counterpart, which shall be identified as the counterpart containing the receipt therefor executed by the Indenture Trustee on the signature page thereof.

Section 23. Lessor's Right to Perform for Lessee. If Lessee fails to make any payment of Rent required to be made by it hereunder or fails to perform or comply with any of its agreements contained herein, Lessor may, on behalf of Lessee and upon prior notice to Lessee, itself make such payment or undertake such performance or compliance. The amount of any such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment, performance or compliance together with interest thereon, at the Overdue Rate, shall be deemed Supplemental Rent, payable by Lessee upon demand.

Section 24. Maintenance of Certain Engines. Notwithstanding anything to the contrary contained herein, an aircraft engine which is not an Engine, but which is installed on the Airframe, shall be maintained in accordance with Section 7(a).

Section 25. Investment of Security Funds; Miscellaneous. Any moneys required to be paid to or retained by Lessor which are not required to be paid to Lessee pursuant to Section 10(f) or 11(b) solely because an Event of Default hereunder (or event that with lapse of time would constitute an Event of Default under Section 14(a), 14(g), 14(h) or 14(i)) shall have occurred, or which are required to be paid to Lessee pursuant to Section 10(c) or 11(b) after completion of a replacement to be made pursuant to Section 10(a) shall, until paid to Lessee as provided in Section 10 or 11 or applied as provided herein or in the Trust Agreement and Trust Indenture, be invested in Permitted Investments by Lessor (unless the Trust Indenture shall not have been discharged, in which case, by the Indenture Trustee as provided in Section 3.07 of the Trust Indenture) from time to time as directed in

writing by Lessee. There shall, so long as no Event of Default shall have occurred or be continuing, be promptly remitted to Lessee as a rebate of Rent any gain (including interest received) realized as the result of any such investment (net of any fees, commissions and other expenses, if any, incurred in connection with such investment) and Lessee will promptly pay to Lessor or the Indenture Trustee, as the case may be, on demand, as Supplemental Rent the amount of any loss realized as the result of any such investment (together with any fees, commissions and other expenses, if any, incurred in connection with such investment), such amount to be disposed of in accordance with the terms of the Trust Agreement and the Trust Indenture.

Section 26. Concerning the Lessor. Wilmington Trust Company is entering into this Lease Agreement solely in its capacity as Owner Trustee under the Trust Agreement and not in its individual capacity (except as expressly stated herein) and in no case shall Wilmington Trust Company (or any entity acting as successor Owner Trustee under the Trust Agreement) be personally liable for or on account of any of the statements, representations, warranties, covenants or obligations stated to be those of Lessor hereunder; provided, however, that Wilmington Trust Company (or any such successor Owner Trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct or for its breach of its covenants, representations and warranties contained herein, to the extent covenanted or made in its individual capacity.

Section 27. Sublessee's Performance and Rights. Any obligation imposed on Lessee in this Lease shall require only that Lessee perform or cause to be performed such obligation, even if stated herein as a direct obligation, and the performance of any such obligation by any permitted assignee, sublessee or transferee under an assignment, sublease or transfer agreement then in effect shall constitute performance by Lessee and to the extent of such performance discharge such obligation by Lessee. Except as otherwise expressly provided herein, any right granted to Lessee in this Lease shall grant Lessee the right to exercise such right or permit such right to be exercised by any such assignee, sublessee or transferee; provided that no such assignee, sublessee or transferee shall be permitted to exercise the self-insurance rights of Lessee set forth in Section 11. The inclusion of specific references to obligations or rights of any such as-

signee, sublessee or transferee in certain provisions of this Lease shall not in any way prevent or diminish the application of the provisions of the two sentences immediately preceding with respect to obligations or rights in respect of which specific reference to any such assignee, sublessee or transferee has not been made in this Lease.

Section 28. Miscellaneous. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. This Lease may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered, subject to Section 22, shall be an original, but all such counterparts shall together constitute but one and the same instrument. To the extent permitted by applicable law, Lessee hereby waives any provision of law which renders any provision prohibited or unenforceable in any respect. Neither this Lease nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought and no provision referring to the Owner Participant or requiring the consent or participation of or notice to the Owner Participant may be waived, modified, supplemented, terminated or amended without the express written consent of the Owner Participant. This Lease shall constitute an agreement of lease, and nothing herein shall be construed as conveying to Lessee any right, title or interest in the Aircraft except as a lessee only. To the extent consistent with the provisions of Title 11 U.S.C. Section 1110, or any analogous section of the Federal bankruptcy laws, as amended from time to time, it is hereby expressly agreed that, notwithstanding any other provisions of the Federal bankruptcy laws, as amended from time to time, the title of Lessor to the Aircraft and any right of Lessor to take possession of the Aircraft in compliance with the provisions of this Lease shall not be affected by the provisions of the Federal bankruptcy laws, as amended from time to time. The section and paragraph headings in this Lease and the table of contents are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof and all refer-

ences herein to numbered sections, unless otherwise indicated, are to sections of this Lease.

THIS LEASE AGREEMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Agreement to be duly executed as of the day and year first above written.

LESSOR:

WILMINGTON TRUST COMPANY,  
not in its individual capacity,  
except as expressly stated herein,  
but solely as Owner Trustee

By /s/ NORMA P. CLOSS  
Name: Norma P. Closs  
Title: Vice President

LESSEE:

AMERICAN AIRLINES, INC.

By /s/ JEFFERY M. JACKSON  
Name: Jeffery M. Jackson  
Title: Vice President and  
Treasurer

LEASE SUPPLEMENT NO. \_\_\_ (AA 1992 AF-3), dated \_\_\_\_\_, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity, but solely as Owner Trustee under that certain Trust Agreement (AA 1992 AF-3), dated as of August 1, 1992, between AT&T Credit Corporation, a Delaware corporation, and such Owner Trustee (such Owner Trustee, in its capacity as such Owner Trustee, being herein called "Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation ("Lessee").

## W I T N E S S E T H:

WHEREAS, Lessor and Lessee have heretofore entered into that certain Lease Agreement (AA 1992 AF-3), dated as of August 1, 1992 (herein called the "Lease Agreement" and the defined terms therein being hereinafter used with the same meanings), providing for the execution and delivery from time to time of Lease Supplements each substantially in the form hereof for the purpose of leasing specific Aircraft under the Lease Agreement as and when delivered by Lessor to Lessee in accordance with the terms thereof.

\*WHEREAS, the Lease Agreement relates to the aircraft and engines described below, and counterparts of the Lease Agreement are attached hereto and made a part hereof and this Lease Supplement, together with such attachments, is being filed for recordation on the date hereof with the Federal Aviation Administration as one document.

\*\*WHEREAS, the Lease Agreement relates to the aircraft and engines described below, and a counterpart of the Lease Agreement, attached to and made a part of Lease Supplement No. 1 (AA 1992 AF-3), dated August \_\_, 1992, to the Lease Agreement, has been recorded by the Federal Aviation Administration on \_\_\_\_\_, 1992 as one document and assigned Conveyance No. \_\_\_\_\_.

NOW, THEREFORE, in consideration of the premises and other good and sufficient consideration, Lessor and Lessee hereby agree as follows:

\* This language for Lease Supplement No. 1.

\*\* This language for other Lease Supplements.

Exhibit A

AF-3

1. Lessor hereby delivers and leases to Lessee under the Lease Agreement, and Lessee hereby accepts and leases from Lessor under the Lease Agreement, the following described Boeing 767-323ER Aircraft which Aircraft as of the date hereof consists of the following components:

(i) Boeing 767-323ER airframe: U.S. Identification Number N376AN; Manufacturer's Serial No. 25445; and

(ii) two (2) General Electric CF6-80C2B6 engines relating to such airframe and bearing, respectively, Manufacturer's Serial Nos. 695548 and 695538 (each of which engines has 750 or more rated takeoff horsepower or the equivalent of such horsepower).

Lessee confirms that Lessee has accepted delivery of the Aircraft for all purposes hereof and of the Lease Agreement, as being airworthy, in good working order and repair and without defect or inherent vice in title, condition, design, operation or fitness for use, or suitability for a particular purpose; provided, however, that nothing contained herein or in the Lease Agreement shall in any way diminish or otherwise affect any right Lessor or Lessee may have with respect to the Aircraft against the Manufacturer or any other supplier or subcontractor of the Manufacturer, under the Purchase Agreement or otherwise.

2. The Delivery Date of the Aircraft is the date of this Lease Supplement set forth in the opening paragraph hereof.

3. The Term for the Aircraft shall commence on the Delivery Date and shall end on August 11, 2017.

4. All of the terms and provisions of the Lease Agreement are hereby incorporated by reference in this Lease Supplement to the same extent as if fully set forth herein.

5. This Lease Supplement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Lease Supplement including a signature page executed by each of the parties hereto shall be an original counterpart of the Lease Supplement,

but all of such counterparts together shall constitute one instrument.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease Supplement to be duly executed on the date first above written.

LESSOR:

WILMINGTON TRUST COMPANY,  
not in its individual  
capacity but solely as  
Owner Trustee

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

LESSEE:

AMERICAN AIRLINES, INC.

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

CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE SUPPLEMENT OF WILMINGTON TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 AF-3), DATED AS OF AUGUST 1, 1992, BETWEEN WILMINGTON TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 AF-3), DATED AS OF AUGUST 1, 1992, FOR THE BENEFIT OF THE HOLDERS OF THE CERTIFICATES REFERRED TO IN SUCH TRUST INDENTURE AND SECURITY AGREEMENT. THIS LEASE SUPPLEMENT HAS BEEN EXECUTED IN SEVERAL COUNTERPARTS. ONLY THAT COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THIS RECEIPT THEREFOR EXECUTED BY NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF AND NO SECURITY INTEREST IN THE LEASE AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OF ANY COUNTERPART OTHER THAN THIS EXECUTED ORIGINAL COUNTERPART. SEE SECTION 22 OF THE LEASE AGREEMENT FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Receipt of this original counterpart of the foregoing Lease Supplement is hereby acknowledged on this \_\_\_\_ day of August, 1992.

NATIONSBANK OF GEORGIA,  
NATIONAL ASSOCIATION,  
as Indenture Trustee

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

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Exhibit A

AF-3

LIST OF PERMITTED COUNTRIES

NORTH AMERICA

Canada  
Mexico

ASIA/OCEANIA

Japan  
India  
Australia  
New Zealand

EUROPE

Austria  
Federal Republic of Germany  
Finland  
United Kingdom  
Spain (including Canary Islands)

Exhibit B  
AF-3



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FIRST AMENDMENT TO LEASE  
AGREEMENT (AA 1992 AF-3  
(Redesignated AA 1995 PTC Series AC)

This FIRST AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Lease Amendment"), dated as of June 15, 1995, between WILMINGTON TRUST COMPANY, a Delaware banking corporation, with its principal place of business at Rodney Square North, 1101 N. Market Street, Wilmington, Delaware 19890-0001, not in its individual capacity, except as expressly stated herein and in the Lease referred to below, but solely as Owner Trustee under a certain Trust Agreement (AA 1992 AF-3), dated as of August 1, 1992, and its permitted successors and assigns ("Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation with its principal place of business at Dallas/Fort Worth International Airport, Texas 75261-9616 and its permitted successors and assigns ("Lessee").

W I T N E S S E T H:

WHEREAS, Lessee, the Owner Participant (as defined in the Original Participation Agreement referred to below, the "Owner Participant"), CIBC Inc. ("CIBC") as Original Loan Participant, Lessor and NationsBank of Georgia, National Association, a national banking association (the "Indenture Trustee"), entered into that certain Participation Agreement (AA 1992 AF-3), dated as of August 1, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N376AN and Manufacturer's Serial Number 25445 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and the Indenture Trustee entered into that certain Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of August as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-3), dated August 11, 1992, the "Original Indenture"), pursuant to which the Lessor issued to CIBC a certificate substantially in the form set forth in Section 2.01 of such Original Indenture as evidence of the loan then being made by CIBC;

Series AC

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and Lessee entered into a Lease Agreement (AA 1992 AF-3) relating to the Aircraft, dated as of August 1, 1992 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 AF-3), dated August 11, 1992 the "Lease"; capitalized terms used herein without definition having the meanings set forth therefor in the Lease), whereby, subject to the terms and conditions set forth therein, Lessor agreed to lease to Lessee, and Lessee agreed to lease from Lessor, the Aircraft on its Delivery Date;

WHEREAS, a counterpart of the Lease was recorded by the Federal Aviation Administration on August 11, 1992, and assigned Conveyance No. C26650;

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the Loan Certificates (as such term is defined in the Original Indenture) pursuant to Section 2.12 of the Original Indenture as part of a refunding or refinancing operation and Section 3(e) of the Lease contemplates the adjustment of Rent in the event of such a refunding or refinancing operation; and the Lessee has given its written notice to the Owner Participant and the Owner Trustee, pursuant to such Section 20, of its desire to implement such a refunding or refinancing operation;

WHEREAS, in order to accomplish such redemption (i) Lessee, the Owner Trustee, the Indenture Trustee, CIBC and State Street Bank and Trust Company of Connecticut, National Association (the "Loan Trustee"), have entered into the Instrument of Resignation, Appointment and Acceptance, dated as of the date hereof (the "Instrument of Resignation"), pursuant to which the Indenture Trustee has resigned under the Original Indenture, and CIBC, Lessee and the Owner Trustee have accepted such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee, (ii) Lessee, the Owner Participant, Lessor, the Indenture Trustee, CIBC, State Street Bank and Trust Company of Connecticut, National Association, as Trustee (in such capacity, the "Pass Through Trustee") under one or more separate Pass Through Trust Supplements (entered into pursuant to the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between the Lessee and the Pass Through Trustee) with Lessee, each dated as of the date hereof, and the Loan Trustee have entered into a Refunding Agreement (AA 1995 PTC Series AC), dated as of June 2, 1995 (the "Refunding Agreement"), and (iii) Lessor and the Loan Trustee

have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC) (such amended and restated Indenture, the "Trust Indenture" or the "Indenture"); and

WHEREAS, in order to carry out the provisions of Section 20 of the Original Participation Agreement and the provisions of the Refunding Agreement, including, without limitation, Section 6 thereof, Lessor and Lessee wish to amend the Lease by entering into this Lease Amendment;

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

Section 1. Amendment to Section 1 of the Lease. (a) Section 1 of the Lease is amended by deleting the definitions of "Break Amount" and "Debt Rate".

(b) The definition of "Certificate" is amended by inserting the words "provided that from and after the Refunding Date (as defined in the Refunding Agreement) the term "Certificate" shall mean and include any Equipment Note" between the words "Trust Indenture" and ".".

(c) The definition of "Event of Loss" is amended by deleting the word "Certificates" and substituting therefor the words "Equipment Notes", and by deleting the words "the date on which notice of payment of the Certificates is given pursuant to Section 2.14 of the Trust Indenture" and substituting therefor the words "the date of any notice of redemption of Equipment Notes relating to the occurrence of any such event".

(d) The definition of "Indenture Trustee" is amended by inserting the words ", including (upon the execution of the Instrument of Resignation, as defined in the Refunding Agreement) State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee" between the words "Trust Indenture" and ".".

(e) The definition of "Loan Participant Liens" is amended by inserting the words "or the Trust Estate or the Indenture Estate or any interest therein" after the words "or in this Lease."

(f) The definition of "Stipulated Loss Value" is amended by deleting the last two sentences thereof and by

deleting from the end of clause (i) of the first sentence thereof the words "as such percentage may be adjusted as provided below,". The definition of "Stipulated Loss Value" is further amended by adding the following sentence at the end thereof: "Anything contained herein or in the Participation Agreement to the contrary notwithstanding, Stipulated Loss Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e) or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee hereunder in connection with such Event of Loss (other than Supplemental Rent payable in respect of the Swap Breakage Loss, if any, and amounts other than principal or interest owing to the holders of Certificates under the Trust Indenture in connection with such Event of Loss), will be at least sufficient to pay in full as of the date of the payment thereof the aggregate unpaid principal of the Outstanding Equipment Notes together with all unpaid interest thereon accrued to the date on which such payment is paid in accordance with the terms hereof."

(g) The definition of "Supplemental Rent" is amended by adding at the end thereof after the words "with reference thereto" the words "and Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable in accordance with Section 3(c) hereof."

(h) The definition of "Tax Indemnity Agreement" is amended by adding at the end thereof the phrase ", as the same may be modified, amended or supplemented from time to time".

(i) The definition of "Termination Value" is amended by deleting the words "Break Amount, if any" and substituting therefor the words "Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be,"; and by deleting the last two sentences thereof and by deleting from the first sentence thereof the words "as such percentage may be adjusted as provided below". The definition of "Termination Value" is further amended by adding the following sentence at the end thereof: Anything contained herein or in the Participation Agreement to the contrary notwithstanding, Termination Value for the Aircraft (both before and after any adjustment pursuant to Section 3(e) or any deduction pursuant to Section 3(f)) will, under any circumstances and in any event, be an amount which, together with any other amounts required to be paid by Lessee hereunder in connec-

tion with such Lease termination (other than Supplemental Rent payable in respect of the Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, and amounts other than principal or interest owing to the holders of Certificates under the Trust Indenture in connection with Lease termination), will be at least sufficient to pay in full as of the date of the payment thereof the aggregate unpaid principal of the Outstanding Equipment Notes together with all unpaid interest thereon accrued to the date on which such payment is paid in accordance with the terms hereof.

(j) The definition of "Trustee's Liens" is amended by deleting the word "5.04" and substituting therefor the word "9.09".

(k) The definitions of "Business Day", "Federal Aviation Act", "Indenture", "Lease Period", "Lease Period Date", "Loan Certificate", "Loan Participant", "Operative Documents", "Overdue Rate", "Rent Schedule", "Transaction Costs" and "Trust Indenture" contained in Section 1 of the Lease are amended in their entirety to read as follows:

"Business Day" means (i) if such day relates to a payment or prepayment of principal of or interest on the Equipment Notes (or Basic Rent the proceeds of which will be utilized for such purpose) or a notice by Lessor with respect to any such payment or prepayment, any day on which dealings in Dollar deposits are carried out in the London interbank market, other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Owner Trustee is located, the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds and (ii) in all other cases, any day other than a Saturday, Sunday or a day on which commercial banks are authorized or required by law, regulation or executive order to be closed in New York, New York, the city and state in which the principal corporate trust office of the Owner Trustee is located or the city and state in which the principal corporate trust office of the Loan Trustee is located or the city and state in which the Loan Trustee disburses funds.

"Federal Aviation Act" means the Federal Aviation Act of 1958, as amended, including as repealed and restated in subtitle VII of Title 49 of the United States Code. References in any Operative Document to any section of the Federal Aviation Act shall be deemed to refer to the corresponding provision of Title 49 of the United States Code.

"Indenture" means the Trust Indenture.

"Lease Period" means (i) the period from June 15, 1995 to and including July 1, 1995, (ii) each of forty-four consecutive semi-annual periods thereafter, the first such semi-annual period commencing and including July 2, 1995 and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than July 2, 2017), and (iii) the period from and including July 2, 2017 to but excluding the Base Lease Expiration Date.

"Lease Period Date" means July 2, 1995 and each succeeding January 2 and July 2 to and including July 2, 2017, together with the Base Lease Expiration Date; provided that during any Renewal Term, the "Lease Period Date" shall include each succeeding February 11 and August 11 during such Renewal Term.

"Loan Certificate" has the meaning set forth for the term "Certificate" herein.

"Loan Participant" has the meaning specified in the Trust Indenture.

"Operative Documents" means this Agreement, each Lease Supplement, the Participation Agreement, the Trust Indenture, the Equipment Notes, each Trust Agreement and Indenture Supplement, the Trust Agreement, the Bills of Sale, the Purchase Agreement Assignment, the Refunding Agreement, the Rent Schedule and the Tax Indemnity Agreement.

"Overdue Rate" means (i) with respect to the portion of any payment of Rent that would be required to be distributed to a Loan Participant pursuant to the terms of the Trust Indenture, the Past Due Rate applicable to the Equipment Notes held by such Loan Participant and (ii) with respect to the portion of any payment of Rent that would be required to be distri-

buted to Lessor pursuant to the terms of the Trust Indenture or would be payable pursuant to the terms of any of the Operative Documents directly to Lessor, the Owner Participant, or the Owner Trustee in its individual capacity, the lesser of 2% over the Base Rate and the maximum interest rate from time to time permitted by law.

"Rent Schedule" means the Rent Schedule (AA 1992 AF-3), dated as of August 1, 1992, among Lessee, the Owner Participant, the Owner Trustee and the Indenture Trustee named therein, as amended and restated as the Amended and Restated Rent Schedule (AA 1995 PTC Series AC), dated as of the date hereof, among Lessee, the Owner Participant, the Owner Trustee, the Loan Trustee and the Indenture Trustee, as the same may be further modified, supplemented or amended from time to time pursuant to the applicable provisions of the Operative Documents.

"Transaction Costs" has the meaning set forth in Section 3(e) hereof.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of August 1, 1992, between Lessor (in its individual capacity only as expressly provided therein and otherwise as Owner Trustee) and the Indenture Trustee named therein, as amended and restated as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of the date hereof, as the same may be further modified, supplemented or amended from time to time pursuant to the applicable provisions thereof.

(1) The following definitions of "Average Certificate Rate", "Bank Equipment Note", "Equipment Note", "Loan Trustee", "Make-Whole Amount", "Outstanding", "Pass Through Certificates", "Pass Through Equipment Note", "Pass Through Trust", "Pass Through Trust Agreement", "Pass Through Trust Supplement", "Pass Through Trustee", "Refunding Agreement", "Swap Breakage Loss" and "Termination Contract Date" shall be inserted in Section 1 of the Lease in alphabetical order:

"Average Certificate Rate" means the weighted average interest rate applicable to the Equipment Notes at the time outstanding, computed on the basis of a 360-day year of twelve 30-day months.

"Bank Equipment Note" has the meaning specified in the Trust Indenture.

"Equipment Note" has the meaning specified in the Trust Indenture.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association, as successor trustee to the Indenture Trustee, and each other Person that may from time to time be acting as loan trustee under the Trust Indenture.

"Make-Whole Amount" means the Make-Whole Amount (as defined in the Trust Indenture), if any, payable pursuant to Section 6.01(b) of the Trust Indenture. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Make-Whole Amount shall be payable solely with respect to the Pass Through Equipment Notes, and Make-Whole Amount shall not be calculated or payable with respect to the Bank Equipment Notes.

"Outstanding" or "outstanding", when used with respect to Equipment Notes, has the meaning set forth in the Trust Indenture.

"Pass Through Certificates" means any of the Pass Through Certificates issued pursuant to any of the Pass Through Trust Supplements.

"Pass Through Equipment Note" has the meaning specified in the Trust Indenture.

"Pass Through Trust" means each Pass Through Trust created pursuant to a Pass Through Trust Supplement.

"Pass Through Trust Agreement" means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Pass Through Trust Supplement" means Pass Through Trust Supplement No. 1, dated as of June 15, 1995, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as originally executed

and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Pass Through Trustee" means State Street Bank and Trust Company of Connecticut, National Association, a national banking association, in its capacity as Trustee under the Pass Through Trust Supplement, and each other person which may from time to time be acting as successor trustee under the Pass Through Trust Supplement.

"Refunding Agreement" means that certain Refunding Agreement (AA 1995 PTC Series AC) dated as of June 2, 1995, among the Lessee, the Owner Participant, the Lessor, the Initial Bank Lender, the Pass Through Trustee under each Pass Through Trust Supplement, the Original Loan Participant, the Indenture Trustee and the Loan Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

"Swap Breakage Loss" means Swap Breakage Loss (as defined in the Refunding Agreement), if any. Notwithstanding anything to the contrary set forth herein or in any other Operative Document, Swap Breakage Loss shall be payable solely with respect to the Bank Equipment Notes, and Swap Breakage Loss shall not be calculated or payable with respect to the Pass Through Equipment Notes.

"Termination Contract Date" means the thirtieth day preceding any Termination Date or, if such day is not a Business Day, the next succeeding Business Day.

Section 2. Amendment to Section 3 of the Lease. (a) Section 3(b) is amended by deleting the word "semiannual" in the first sentence thereof, and by deleting the second paragraph thereof.

(b) The penultimate paragraph of Section 3(b) of the Lease is amended by inserting the word "Outstanding" between the words "and interest on the" and "Certificates required to be paid".

(c) Section 3(c) of the Lease is amended in its entirety to read as follows:

"(c) Supplemental Rent. Lessee also agrees to pay to Lessor, or to whomsoever shall be entitled thereto, any and all Supplemental Rent promptly as the same shall become due and owing, and in the event of any failure on the part of Lessee to pay any Supplemental Rent, Lessor shall have all rights, powers and remedies provided for herein or by law or in equity or otherwise in the case of nonpayment of Basic Rent. In addition, Lessee will pay as Supplemental Rent (i) on demand, an amount equal to interest at the Overdue Rate on any part of any installment of Basic Rent not paid when due for any period for which the same shall be overdue and on any payment of Supplemental Rent not paid when due for the period until the same shall be paid, (ii) (A) in the case of any redemption or purchase of Equipment Notes requested or consented to by the Lessee pursuant to Section 17 of the Participation Agreement, the Make-Whole Amount, if any, and payable pursuant to Section 6.01(b) of the Trust Indenture and the Swap Breakage Loss, if any, incurred by each Bank Lender or (B) in the case of an acceleration or redemption (or purchase in lieu of redemption) of the Equipment Notes, in either case resulting from an Indenture Event of Default that also constitutes an Event of Default, the Swap Breakage Loss, if any, incurred by each Bank Lender; and (iii) all Additional Costs payable by Lessor under Section 14(a) of the Refunding Agreement; provided that notwithstanding anything to the contrary set forth in any Operative Document or any document or instrument relating thereto, Lessee shall have no responsibility or liability for any amounts payable to any Loan Participant in respect of (x) Make-Whole Amount, if any, payable thereon as a result of a redemption or purchase of the Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of Lessee or (y) an Indenture Default that does not also constitute an Event of Default. All Supplemental Rent to be paid pursuant to this Section 3(c) shall be payable in the type of funds and in the manner set forth in Section 3(d)."

(d) Section 3(d) of the Lease is amended by deleting the words "Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1992 AF-3)" and substituting therefor the words "Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1992 AF-3) (redesignated AA 1995 PTC Series AC)"; by deleting the

words "at the offices of the Indenture Trustee at 600 Peachtree Street, N.E., Suite 900, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1992 AF-3), or at such other location in the United States as the Indenture Trustee may otherwise direct" and substituting therefor the words "to the account of the Loan Trustee at State Street Bank and Trust Company, Boston, Massachusetts, or at such other location in the United States as the Loan Trustee may otherwise direct"; and by inserting at the end of the last sentence thereof the words "; provided that, with respect to any payment of Basic Rent for which the proceeds will be utilized to pay principal of or interest on any Equipment Notes, if by virtue of such extension the date of payment would fall in the next succeeding calendar month, then such sum shall be payable on the next preceding Business Day".

(e) Section 3(e) of the Lease is amended by deleting the words "the Transaction Costs (as such term is defined in Section 18(a) of the Participation Agreement)" and by substituting the words "the expenses paid by the Owner Participant pursuant to Section 12 of the Refunding Agreement and Section 9(a) of the Participation Agreement (except for any fees and out-of-pocket expenses paid or payable to any financial advisor to the Owner Participant) and such other expenses as the Lessee shall expressly agree in writing constitute "Transaction Costs" hereunder (the "Transaction Costs)"; and by deleting the figure "0.5%" and substituting therefor the figure "1.0125%", and by deleting therefrom the words "or Section 20, as applicable" and "or Section 20" each time such words appear.

Section 3. Amendment to Section 6 of the Lease. Clause (i) of Section 6 of the Lease is amended in its entirety to read as follows:

"(i) the respective rights of Lessor and Lessee as herein provided, the Lien created under the Trust Indenture, the rights of Lessor under the Purchase Agreement Assignment and the rights of the Owner Participant, the Owner Trustee, the Indenture Trustee, each Loan Participant and the Pass Through Trustee (in its capacity as a Loan Participant and in its capacity as Pass Through Trustee) under the Trust Agreement, the Trust Indenture, the Participation Agreement, the Refunding Agreement, the Pass Through Trust Agreement and the Pass Through Trust Supplements,".

Section 4. Amendment to Section 7 of the Lease. (a) The second sentence of Section 7(a)(i) of the Lease is amended by deleting the words "and 9(n)" and adding after the words "Participation Agreement" the words and "Section 7.02 of the Trust Indenture."

(b) Clause (ix) of Section 7(b) of the Lease is amended by deleting the words "Lessor receives" from subclause (w) the first time such words appear in such subclause (w) and substituting therefor the words "Lessor and the Bank Lenders receive". Clause (ix) of Section 7(b) of the Lease is further amended by inserting in subclause (w) after the words "satisfactory to Lessor" each time such words appear the words "Bank Lenders holding a majority in principal amount of the Bank Equipment Notes."

(c) The penultimate proviso to Section 7(b) of the Lease is amended by deleting the words "Section 4.04" and substituting therefor the words "Section 8.03".

(d) Section 7(c) of the Lease is amended by deleting the words "NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE/MORTGAGEE" and substituting therefor "STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE, MORTGAGEE".

Section 5. Amendment to Section 9 of the Lease. Section 9 of the Lease is amended in its entirety to read as follows:

"Section 9. Voluntary Termination. (a) Right of Termination. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option (i) to terminate this Lease at any time on or after the fifth anniversary of the Delivery Date, if in Lessee's good faith determination (evidenced by a certificate of a Responsible Officer of Lessee to such effect) the Aircraft is surplus to Lessee's requirements or economically obsolete to Lessee, and (ii) at any time on or after the eighth anniversary of the Delivery Date to terminate this Lease for any reason whatsoever, in each case by delivering to Lessor a written notice of termination specifying a proposed date of termination (the "Termination Date") which shall be a Business Day occurring not earlier than 90 days after the date of such notice, and, if the Termination Date is a Special Termination Date, whether or not Lessee is thereby electing to purchase the Aircraft

on such Special Termination Date as provided in Section 9(e). The termination of this Lease shall, subject to the terms and conditions set forth in this Section 9, be effective on (i) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to sell the Aircraft, as provided below, the date of sale of the Aircraft, if any, referred to in Section 9(b), (ii) if Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft as provided in Section 9(d), the date of termination referred to in Section 9(d), or (iii) if Lessee has elected to purchase the Aircraft as provided in Section 9(e), the date of purchase referred to in Section 9(e). Where Lessee has not elected to purchase the Aircraft as provided for in Section 9(e), Lessor shall give Lessee irrevocable notice of its election to sell or retain the Aircraft no later than 45 days after Lessor receives the notice from Lessee referred to in the first sentence of this Section 9(a). In the event Lessor shall fail to give notice pursuant to the immediately preceding sentence, notice of its election to sell the Aircraft shall be deemed to have been given as of such forty-fifth day. Unless Lessor shall have given to Lessee a timely notice of its election to retain the Aircraft as provided in Section 9(d), Lessee (1) shall withdraw such termination notice on the Termination Contract Date if the Person who shall have submitted the highest cash bid notified by Lessee to Lessor or by Lessor or the Owner Participant to Lessee pursuant to Section 9(b) prior to the Termination Contract Date (or, with the consent of Lessor, another person who shall have submitted a bid for the purchase of the Aircraft, acceptable to Lessor and Lessee) shall not have entered into a binding contract of sale on or prior to such Termination Contract Date reasonably acceptable to the Owner Participant providing for the sale by Lessor without recourse or warranty (except as to Lessor's Liens) for cash of the Airframe and the Engines installed thereon to such Person (the "Contract Purchaser") (Lessor hereby agreeing, subject to Lessor's right to retain the Aircraft, promptly to execute and deliver any such contract of sale in the form thereof furnished by Lessee for execution and delivery and Lessee hereby agreeing to consult with the Owner Participant regarding the terms of such contract of sale and to submit the execution form thereof to the Owner Participant a reasonable period of time prior to

the Termination Contract Date) and (2) may withdraw the termination notice referred to above at any time on or prior to the third Business Day prior to the Termination Contract Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, on or after the third Business Day prior to the Termination Contract Date, a notice of termination given pursuant to this Section 9(a) or such notice is deemed withdrawn pursuant to the final sentence of Section 9(b), Lessee will reimburse Lessor and the Owner Participant for any reasonable out-of-pocket expenses incurred by them in connection with the proposed sale, except Lessee shall not be obligated to reimburse Lessor or the Owner Participant for any out-of-pocket expenses to the extent Lessor shall have failed to comply with its obligations under this Section 9. Lessee shall not be entitled to exercise its right of termination provided for in this Section 9(a) more than four times during the Term (not including for purposes of this sentence any exercise by Lessee of such right of termination immediately following a failure of this Lease to be terminated by reason of Lessor's failure to comply with its obligations under this Section 9).

(b) Sale of Aircraft. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected or is deemed to have elected to sell the Aircraft pursuant to Section 9(a), Lessee will have the option of acting as non-exclusive agent for Lessor to obtain bids for the cash purchase on or prior to the Termination Date of the Aircraft. Lessor agrees to pay Lessee a commercially reasonable brokerage fee based on the then current industry practice in the event that Lessee locates the Person who purchases the Aircraft pursuant to this Section 9(b). If Lessee acts as such agent, no later than ten Business Days prior to the Termination Contract Date, Lessee shall certify to Lessor in writing the amount and terms of each cash bid received by Lessee and the name and the address of the Person submitting each such bid. Lessor may (but need not), also, at its expense (which expense, including without limitation any broker's or finder's fees, shall be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor receives any such bid, Lessor shall promptly, and in any event at least five Business Days prior to the Termination Contract Date certify to Lessee in writing the amount and terms of such bid and the name

and address of the Person submitting such bid. Neither the Owner Participant, Lessee, nor any Affiliate of either may submit a bid for the Aircraft, directly or indirectly, in connection with such proposed sale. On the Termination Date (or such earlier date of sale as may be agreed to by Lessor and Lessee, which date shall thereafter be deemed the Termination Date), (x) Lessee shall, subject to receipt (i) by Lessor (or, so long as the Trust Indenture shall not have been discharged, the Indenture Trustee) of the full purchase price thereof and all amounts owing to Lessor pursuant to the next sentence and (ii) by the Persons entitled thereto of all unpaid Supplemental Rent due on or before the Termination Date, deliver the Aircraft at a location selected by Lessee to the Contract Purchaser (or such other purchaser acceptable to Lessor and Lessee), in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) Lessor shall simultaneously therewith sell, without recourse or warranty (except as to Lessor's Liens), for cash all of Lessor's right, title and interest in and to the Aircraft to such Contract Purchaser (or other purchaser). The total selling price realized at such sale shall be retained by Lessor (or, so long as the Trust Indenture shall not have been discharged, distributed by the Indenture Trustee pursuant to the terms of the Trust Indenture) and, in addition, on the Termination Date, Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), an amount equal to (I) the sum of (1) the excess, if any, of (A) the Termination Value for the Aircraft as of the Termination Date, over (B) the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person), plus (2) that amount of interest that will accrue on the principal of all Outstanding Equipment Notes during the period from and including the Termination Date to but excluding the Redemption Date specified in Section 6.01 of the Trust Indenture, plus (3) all Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption of any Equipment Notes resulting from

a termination under this Section 9(b)) other than Termination Value, due and owing on the Termination Date, plus (4) (A) if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), or (B) if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, plus (5) all Basic Rent due and payable prior to the Termination Date and unpaid, less (II) any credit to which Lessee may be entitled as hereinafter in this Section 9(b) provided. Subject always to the provisions of the penultimate paragraph of Section 3(b), if the Termination Date with respect to which Termination Value is determined is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall be entitled to a credit against the amounts payable by it pursuant to this Section 9(b) in an amount equal to the lesser of (x) the Unearned Advance Basic Rent as of the Termination Date, and (y) the amount, if any, by which the proceeds of the sale of the Aircraft after deducting the reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant (including any brokerage fee paid to Lessee or any other Person) exceeds the Termination Value for the Aircraft as of the Termination Date; provided that, in the event that the amount calculated pursuant to this sentence to be credited exceeds the amounts payable by Lessee pursuant to this Section 9(b), the Owner Participant shall be obligated to rebate an amount equal to such excess to Lessee. If on or prior to the scheduled Termination Date no sale of the Aircraft shall have occurred and if Lessor shall not have elected to retain the Aircraft in accordance with Section 9(d) or Lessee shall not have elected to purchase the Aircraft in accordance with Section 9(e), Lessee's notice given pursuant to Section 9(a) shall be deemed to be withdrawn as of such

scheduled Termination Date and this Lease shall continue in full force and effect.

(c) Certain Obligations upon Sale of Aircraft. Upon the sale of the Aircraft pursuant to and in accordance with the provisions of Section 9(b), Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe. Lessor shall be under no duty to solicit bids, to inquire into the efforts of Lessee to obtain bids or otherwise take any action in connection with the sale of the Aircraft under Section 9(b), other than to transfer to the purchaser of the Aircraft (or to such purchaser and to Lessee, as the case may be), without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft against receipt of the payments provided for herein, and to pay the amounts, if any, required to be paid by Lessor under Section 9(b) or this Section 9(c), and to request the Loan Trustee upon the sale of the Aircraft pursuant to Section 9(b) to execute and deliver to such purchaser (or to such purchaser and to Lessee, as the case may be) an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. Lessor agrees to notify promptly Lessee of the appointment by Lessor of any broker or finder (other than Lessee) in connection with the sale of the Aircraft pursuant to Section 9(b) and, subject to Section 9(b), to pay the fees or commissions of any such broker or finder employed by Lessor in connection with the sale of the Aircraft pursuant to Section 9(b).

(d) Retention of Aircraft by Lessor. If Lessee has not elected to purchase the Aircraft as provided in Section 9(e) and Lessor has elected to retain the Aircraft pursuant to Section 9(a), on the Termination Date specified in Lessee's termination notice, Lessor shall pay, or cause to be paid, to the Loan Trustee in funds of the type specified in Section 3(d), an amount equal to (1) the aggregate outstanding principal amount of the Equipment Notes and all accrued interest thereon, plus (2) that amount of interest that will accrue on the principal of all Outstanding Equipment Notes during

the period from and including the Termination Date to but excluding the Redemption Date specified in Section 6.01 of the Trust Indenture, plus (3) all other sums due and payable to the Loan Trustee on such Termination Date under the Trust Indenture, the Participation Agreement or such Equipment Notes. Subject to receipt by the Loan Trustee of such funds, on the Termination Date, (i) Lessee (x) shall deliver the Aircraft to Lessor in the same manner as if delivery were made to Lessor at the end of the Term pursuant to Section 5, and shall duly transfer to Lessor title to any engines installed on the Airframe but not owned by Lessor, all in accordance with the terms of Section 5, and (y) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(d)), other than Termination Value, due and owing on the Termination Date, and, if the Termination Date is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) or, if the Termination Date is not a Lease Period Date and if Basic Rent is payable in arrears during the Lease Period commencing on the Lease Period Date next preceding the Termination Date, an amount equal to the Accrued Arrears Basic Rent for the period from and including such Lease Period Date to but excluding the Termination Date, and all Basic Rent due and payable prior to the Termination Date and unpaid, less (B) any credit to which Lessee may be entitled as hereinafter in this Section 9(d) provided, and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe, and (y) shall request the Loan Trustee to execute and deliver to Lessee an appropriate instrument releasing the Aircraft from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge under the Trust Indenture. If the Termination

Date is not a Lease Period Date and if any portion of the Basic Rent installment paid in respect of the Lease Period commencing on the Lease Period Date next preceding the Termination Date is designated in Exhibit A-1 to the Rent Schedule as having been payable in advance, Lessee shall, subject always to the provisions of the penultimate paragraph of Section 3(b), be entitled to a credit against the amounts payable by it pursuant to this Section 9(d) in an amount equal to the Unearned Advance Basic Rent as of the Termination Date; provided that in the event that the Unearned Advance Basic Rent exceeds the amount payable by Lessee pursuant to this Section 9(d), the Owner Participant will be obligated to rebate an amount equal to such excess to Lessee. If Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) and as a result thereof this Lease shall not be terminated on a proposed Termination Date, Lessor shall thereafter no longer be entitled to exercise its election to retain the Aircraft and Lessee may at its option at any time thereafter submit a new termination notice pursuant to Section 9(a).

(e) Purchase of Aircraft by Lessee. In the event that Lessee shall have elected to purchase the Aircraft on a Special Termination Date pursuant to Section 9(a), on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greater of (i) the Termination Value for the Aircraft, computed as of the Special Termination Date and (ii) the then fair market sales value of the Aircraft, as determined by mutual agreement of Lessor and Lessee or, if they shall be unable to agree, by an Independent Appraisal. On such Special Termination Date, (x) Lessee (i) shall pay to Lessor or to the Persons entitled thereto, in funds of the type specified in Section 3(d), all unpaid Supplemental Rent (including, without limitation, Make-Whole Amount, if any, and Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption of any Equipment Notes resulting from a termination under this Section 9(e)), other than Termination Value, due and owing on such Special Termination Date, all Basic Rent due and payable prior to the Special Termination Date and unpaid and the Basic Rent installment due and payable on the Special Termination Date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of

such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance) and (ii) at its option shall either (A) pay to Lessor, in funds of the type specified in Section 3(d), the Special Termination Price, or (B) assume all of the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Equipment Notes (including, without limitation, any scheduled payment of principal of or accrued interest on the Equipment Notes due and payable on the Special Termination Date but only to the extent that the Basic Rent installment payable by Lessee pursuant to clause (i) above does not cover such scheduled payment of principal of or accrued interest on the Equipment Notes but excluding any obligations or liabilities of the Owner Trustee in its individual capacity incurred on or prior to the Special Termination Date, which obligations and liabilities shall remain the sole responsibility of the Owner Trustee) in accordance with Section 7.03 of the Trust Indenture and simultaneously shall pay to Lessor, in funds of the type specified in Section 3(d), an amount equal to the excess, if any, of the Special Termination Price over an amount equal to the sum of the principal of and any accrued and unpaid interest on the outstanding Equipment Notes on such Special Termination Date, after taking into account any payments of principal or interest made in respect of the outstanding Equipment Notes on such Special Termination Date, and (y) Lessor will sell to Lessee, without recourse or warranty (except as to Lessor's Liens), all of Lessor's right, title and interest in and to the Aircraft and all of Lessor's right, title and interest in and to any Engines constituting part of the Aircraft but which are not then installed on the Airframe and, if Lessee shall not have assumed the rights and obligations of the Owner Trustee under the Trust Indenture in respect of the Equipment Notes as provided for above, Lessor will request the Loan Trustee to execute and deliver to Lessee an appropriate instrument releasing the Airframe and Engines with respect to which title is transferred from the lien of the Trust Indenture and releasing the Purchase Agreement and the Purchase Agreement Assignment from the assignment and pledge thereunder.

(f) Termination of Lease, Etc. Upon the sale or retention or purchase of the Aircraft, as the case may be, in compliance with the provisions of this Section 9, (i) the obligation of Lessee to pay Basic Rent

under Section 3(b) on any Lease Period Date occurring subsequent to the applicable Termination Value Determination Date, and (ii) the obligation of Lessee to pay Supplemental Rent (subject to Section 3(f), other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 10 of the Tax Indemnity Agreement or (y) in respect of liabilities and obligations of Lessee which have accrued under any Operative Document but have not been paid or which are in dispute as of the date of such sale or retention) shall cease as of the Termination Date and, in each case, the Term shall end effective as of the Termination Date.

(g) Termination as to Engines. So long as no Event of Default shall have occurred and be continuing, Lessee shall have the right at its option at any time, on at least 60 days' prior written notice, to terminate this Lease with respect to any Engine. In such event, and prior to the date of such termination, Lessee shall replace such Engine hereunder by complying with the terms of Section 10(b) to the same extent as if an Event of Loss had occurred with respect to such Engine."

Section 6. Amendment to Section 10 of the Lease. (a) Section 10(a) of the Lease is amended by adding the words "and the Indenture Trustee" after the words "give Lessor" the first time such words appear.

(b) The proviso to clause (i) of Section 10(a) of the Lease is amended by adding the words "promptly give notice to Lessor and the Loan Trustee and shall" after the words "then Lessee shall" and by deleting the word "fifteenth" and replacing it with the word "thirtieth".

(c) Clause (ii) of Section 10(a) of the Lease is amended in its entirety to read as follows:

"(ii) on or before the Loss Payment Date (as defined below), Lessee shall pay to Lessor or, in the case of Supplemental Rent, to the Persons entitled thereto, in funds of the type specified in Section 3(d), (A) the Stipulated Loss Value for the Aircraft, determined as of the Loss Payment Date, plus (B) all Supplemental Rent due and owing on such Loss Payment Date (including, without limitation, Swap Breakage Loss, if any, payable in connection with a redemption

of Bank Equipment Notes pursuant to Section 6.01(a) of the Indenture) plus (C) if the Casualty Loss Determination Date with respect to the Stipulated Loss Value is a Lease Period Date, the Basic Rent installment due and payable on that date pursuant to Section 3(b) (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of such Basic Rent installment designated in Exhibit A-1 to the Rent Schedule as being payable in advance), plus (D) all Basic Rent due and payable prior to the Casualty Loss Determination Date and unpaid. As used herein, "Loss Payment Date" means the earliest of (x) 30 days following the date on which insurance proceeds are received with respect to such Event of Loss, (y) the Business Day next following the 121st day next following the date of occurrence of the Event of Loss, and (z) an earlier Business Day irrevocably specified by Lessee at least thirty days in advance by notice to Lessor and the Loan Trustee; provided, however, the Loss Payment Date shall be the date specified in the proviso to clause (i) above, if such proviso is applicable."

(d) Clause (C) of the penultimate paragraph of Section 10(a) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C".

(e) Clause (D) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting the words "or advisable" after the word "necessary" in each place where it appears.

(f) Clause (E) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "furnish Lessor" the words ", each Loan Participant". Clause (E) of the penultimate paragraph of Section 10(a) of the Lease is further amended by deleting the word "an" before the words "opinion of counsel" and substituting therefor the words "a favorable".

(g) Clause (F) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "furnish Lessor" the words "and each Loan Participant".

(h) Clause (H) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "furnish Lessor" the words ", each Loan Participant".

(i) the last sentence of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting after the words "deliver to Lessor" the words ", each Loan Participant".

(j) Clause (iii) of Section 10(b) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C".

(k) Clause (vi) of Section 10(b) of the Lease is amended by inserting the words "or advisable" after the word "necessary" each time it appears.

Section 7. Amendment to Section 11 of the Lease.

(a) (i) The fourth sentence of Section 11(a) of the Lease is amended by inserting in subclause (iv) of such fourth sentence after the words "the Owner Participant's" the words "or any Loan Participant's".

(ii) The fourth sentence of Section 11(b) of the Lease is amended by inserting in subclause (iv) of such fourth sentence after the words "the Owner Participant's" the words "or any Loan Participant's".

(iii) The first sentence of Section 11(c) of the Lease is amended by inserting after the words ", the Indenture Trustee" the first time such words appear in such sentence the words ", the Original Loan Participant". The second sentence of Section 11(c) of the Lease is amended by inserting after the words ", the Indenture Trustee" the first time such words appear in such sentence the words ", the Original Loan Participant". The third sentence of Section 11(c) of the Lease is amended by inserting after the words ", the Indenture Trustee" the first time such words appear in such sentence the words ", the Original Loan Participant".

(b) Section 11 of the Lease is amended by adding a new paragraph (e) at the end thereof, reading in its entirety as follows:

"(e) References to Participants. Notwithstanding anything to the contrary contained herein, for purposes of this Section 11, the term 'Loan Participants' shall mean the Pass Through Trustee and each Bank Lender, the term 'Original Loan Participant' shall mean the Pass Through Trustee and each Bank Lender and the term

'Participants' shall mean the Pass Through Trustee, each Bank Lender and the Owner Participant."

Section 8. Amendment to Section 12 of the Lease. Section 12 of the Lease is amended in its entirety to read as follows:

"Section 12. Inspection. At all reasonable times during the Term, but upon at least 5 days' prior written notice to Lessee, Lessor, the Owner Participant, the Initial Bank Lender, the Loan Trustee or the Pass Through Trustee, or their authorized representatives, may at their own expense and risk conduct a visual walk-around inspection of the Aircraft and any Engine (including a visual walk-around inspection of the Aircraft during any regularly scheduled heavy maintenance visit for the Aircraft conducted by Lessee during the Term) and may inspect the books and records of Lessee relating thereto; provided that (a) such representatives shall be fully insured to the reasonable satisfaction of Lessee by Lessor, the Owner Participant, the Initial Bank Lender, the Loan Trustee or the Pass Through Trustee, as the case may be, with respect to any risks incurred in connection with any such inspection, (b) any such inspection shall be subject to the safety, security and workplace rules applicable at the location where such inspection is conducted and any applicable governmental rules or regulations and (c) in the case of an inspection during a maintenance visit, such inspection shall not in any respect interfere with the normal conduct of such maintenance visit or extend the time required for such maintenance visit. All information obtained in connection with any such inspection shall be held confidential by Lessor, the Owner Participant, the Loan Trustee, each Bank Lender and the Pass Through Trustee and shall not be furnished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom the Owner Participant, the Loan Trustee, any Bank Lender or the Pass Through Trustee is in good faith conducting negotiations relating to the possible transfer and sale of its interest in the Aircraft, if such Person shall have entered into an agreement similar to that contained in this Section 12 whereby such Person agrees to hold such information confidential, and except as may be required by an order of any court or administrative agency or by any statute, rule, regulation or order of any govern-

mental authority. Lessee will, upon the request of Lessor at any time, notify Lessor of the time and location of the next scheduled heavy maintenance visit to be conducted by Lessee in respect of the Aircraft; provided that Lessee shall have the right in its sole discretion to reschedule, or change the location of, any maintenance visit of which it shall have notified Lessor pursuant to this sentence, Lessee hereby agreeing to use reasonable efforts to notify Lessor of any such rescheduling or change. None of the Lessor, the Pass Through Trustee, the Loan Trustee, any Bank Lender or the Owner Participant shall have any duty to make any such inspection or incur any liability or obligation by reason of not making any such inspection. No inspection pursuant to this Section 12 shall relieve Lessee of any of its obligations under this Lease. No inspection pursuant to this Section 12 shall interfere with the use, operation or maintenance of the Aircraft or the normal conduct of Lessee's business, and Lessee shall not be required to undertake or incur any additional liabilities in connection therewith."

Section 9. Amendment to Section 14 of the Lease. Section 14(a) of the Lease is amended by inserting after the words "Basic Rent," the words "Make Whole Amount, Swap Breakage Loss,". Section 14(a) of the Lease is further amended by inserting after the words "by Lessor" the words "or the Indenture Trustee".

Section 10. Amendment to Section 15 of the Lease. (a) Section 15(c) of the Lease is amended by deleting the term "Assumed Debt Rate" and substituting therefor "Average Certificate Rate".

(b) The first sentence of the last paragraph of Section 15 of the Lease is amended by deleting the remainder of the sentence following the words "responsibility or liability" and substituting therefor the words "for any Make Whole Amount or any Swap Breakage Loss payable to the Loan Participants as a result of a redemption or purchase of the Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of Lessee or an Indenture Default that does not also constitute an Event of Default".

Section 11. Amendment to Section 16 of the Lease. Section 16 of the Lease is amended by inserting at the end thereof the following additional sentence: "In furtherance

of the foregoing, Lessor and Lessee hereby confirm their joint intent that this Lease is to be treated as a lease for Federal income tax purposes."

Section 12. Amendment to Section 18 of the Lease. Clause (ii) of the first sentence of Section 18 of the Lease is amended in its entirety to read "if to Lessor, to Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1992 AF-3) (redesignated AA 1995 PTC Series AC)", and clause (iv) of the first sentence of Section 18 of the Lease is amended in its entirety to read "(iv) if to the Loan Trustee, to 750 Main Street, Hartford, Connecticut 06103 Attention: Corporate Trust Department, or such other address as the Loan Trustee shall from time to time designate in writing to Lessor and Lessee."

Section 13. Amendment to Section 19 of the Lease. Section 19 of the Lease is amended by deleting the words "the penultimate sentence of Section 3(c)" in each place where such words appear and substituting therefor the words "the final sentence of Section 3(c)".

Section 14. Amendment to Section 20 of the Lease. Section 20(b) of the Lease is amended by deleting the words "August 11, 2012" in the first sentence and substituting therefor the words "July 2, 2010"; by deleting the words "Break Amount, if any, and substituting therefor the words "Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable in connection with a redemption (or purchase in lieu of redemption) of the Pass Through Equipment Notes and Bank Equipment Notes, respectively, resulting from a termination of the Lease under this Section 20(b)"; and by deleting the words "Section 2.16" and substituting therefor the words "Section 7.01"; and by deleting the words "(except that such unpaid interest, for purposes of this Section 20(b), shall be deemed to have accrued at the Assumed Debt Rate)".

Section 15. Amendment to Section 25 of the Lease. Section 25 of the Lease is amended by deleting the word "3.07" and substituting therefor the word "9.03".

Section 16. Effectiveness of Amendments. The amendments to the Lease set forth in Sections 1 through 14 hereof shall become effective as of the Closing (as such term is defined in the Refunding Agreement).

Section 17. Ratification. Except as amended hereby, the Lease shall remain in full force and effect.

Section 18. Miscellaneous. THIS LEASE AMENDMENT HAS BEEN DELIVERED IN THE STATE OF NEW YORK AND SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. This Lease Amendment may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered, subject to Section 22 of the Lease and the next sentence of this paragraph, shall be an original, but all of which counterparts together shall constitute but one and the same instrument. To the extent, if any, that the Lease or this Lease Amendment constitutes chattel paper (as such term is defined in the Uniform Commercial Code as in effect in any applicable jurisdiction), no security interest in the Lease or in this Lease Amendment may be created through the transfer or possession of any counterpart, other than the original counterpart, which shall be identified as the counterpart containing on the signature page thereof the receipt therefor executed by the Loan Trustee.

IN WITNESS WHEREOF, the parties hereto have caused this Lease Amendment to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

LESSOR

WILMINGTON TRUST COMPANY  
not in its individual  
capacity, but solely as  
Owner Trustee

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

LESSEE

AMERICAN AIRLINES, INC.

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

Receipt of this original counterpart of the foregoing Lease Amendment is hereby acknowledged on this 15th day of June, 1995.

STATE STREET BANK AND TRUST COMPANY  
OF CONNECTICUT, NATIONAL  
ASSOCIATION, LOAN TRUSTEE

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

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Series AC

REFUNDING AGREEMENT  
(AA 1995 PTC Series AA)

Dated as of June 2, 1995

Among

AMERICAN AIRLINES, INC.,  
as Lessee

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION),  
as Owner Participant

WILMINGTON TRUST COMPANY,  
as Owner Trustee

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Pass Through Trustee under the Pass  
Through Trust Agreement and one or more  
separate Pass Through Trust Supplements

TRUST COMPANY BANK,  
as Original Loan Participant

THE MITSUBISHI TRUST AND BANKING CORPORATION,  
NEW YORK BRANCH,  
as Initial Bank Lender

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION,  
as Indenture Trustee

And

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

One Boeing 767-323ER Aircraft  
N374AA

Leased to American Airlines, Inc.

Series AA

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(AA 1995 PTC Series AA)

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REFUNDING AGREEMENT  
(AA 1995 PTC SERIES AA)

This REFUNDING AGREEMENT (AA 1995 PTC Series AA), dated June 2, 1995, among (i) AMERICAN AIRLINES, INC., a Delaware corporation (the "Lessee"), (ii) AT&T CREDIT HOLDINGS, INC. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant"), (iii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise expressly provided herein, but solely as trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-1), dated as of June 15, 1992, between the Owner Participant and the Owner Trustee, (iv) STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association ("State Street"), not in its individual capacity except as otherwise provided herein, but solely as trustee (in such capacity, the "Pass Through Trustee") under the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between the Lessee and the Pass Through Trustee (the "Pass Through Trust Agreement") and one or more separate Pass Through Trust Supplements (each, a "Pass Through Trust Supplement"), each to be dated the Refunding Date (as defined herein), to be entered into between the Lessee and the Pass Through Trustee pursuant to the Pass Through Trust Agreement, (v) TRUST COMPANY BANK, the "Original Loan Participant", (vi) THE MITSUBISHI TRUST AND BANKING CORPORATION, NEW YORK BRANCH (the "Initial Bank Lender"), (vii) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, a national banking association, as Indenture Trustee (the "Indenture Trustee") under that certain Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of June 15, 1992, between the Owner Trustee and the Indenture Trustee (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-1), dated as of June 17, 1992, the "Original Indenture"), and (viii) STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as successor trustee to the Indenture Trustee pursuant to the Instrument of Resignation (as defined herein) and under that certain Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995, between the Owner Trustee and State Street (in such capacity, the "Loan Trustee").

Series AA

## W I T N E S S E T H:

WHEREAS, the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee and the Original Loan Participant entered into a Participation Agreement (AA 1992 AF-1), dated as of June 15, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N374AA and Manufacturer's Serial Number 25201 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement:

(i) the Owner Participant and the Owner Trustee in its individual capacity entered into a Trust Agreement (AA 1992 AF-1), dated as of June 15, 1992 (such Trust Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-1), dated as of June 17, 1992, the "Original Trust Agreement"), pursuant to which the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1.01 of the Original Trust Agreement for the benefit of the Owner Participant thereunder;

(ii) the Owner Trustee and the Indenture Trustee entered into a Trust Indenture and Security Agreement (AA 1992 AF-1), dated as of June 15, 1992 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-1), dated as of June 17, 1992, the "Original Indenture"), pursuant to which the Owner Trustee issued to Trust Company Bank (the "Original Loan Participant") a certificate substantially in the form set forth in Article 2.01 of the Original Indenture (the "Original Loan Certificates") as evidence of its participation in the payment of Lessor's Cost (as such term and other capitalized terms used herein without definition are defined in the Participation Agreement (as defined in Section 7 hereof) including, for purposes of this Refunding Agreement, those terms defined in the Amendment to Participation Agreement set forth as Exhibit L hereto, or, if not defined therein, as defined in the Original Lease (as defined in clause (iii) below) including, for purposes of this Refunding Agreement, those terms defined in the form of First Amendment to Lease Agreement set forth as Exhibit C-1 hereto);

(iii) the Owner Trustee and the Lessee entered into a Lease Agreement (AA 1992 AF-1), dated as of June 15, 1992, relating to the Aircraft (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 AF-1), dated June 17, 1992, the "Original Lease"), pursuant to which, subject to the terms and conditions set forth therein, the Owner Trustee agreed to lease to the Lessee, and the Lessee agreed to lease from the Owner Trustee, the Aircraft on its Delivery Date;

(iv) the Owner Trustee, the Lessee, the Owner Participant and the Indenture Trustee entered into a Rent Schedule (AA 1992 AF-1), dated as of June 15, 1992, relating to the Original Lease (the "Original Rent Schedule"); and

(v) the Owner Participant and the Lessee entered into a Tax Indemnity Agreement (AA 1992 AF-1), dated as of June 15, 1992, relating to the Aircraft (the "Original Tax Indemnity Agreement");

WHEREAS, pursuant to the Instrument of Resignation, Appointment and Acceptance, to be dated as of the Refunding Date (the "Instrument of Resignation"), among the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee and the Original Loan Participant, the Indenture Trustee will resign under the Original Indenture, and the Initial Bank Lender, the Pass Through Trustee, the Lessee and the Owner Trustee will accept such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee under the Original Indenture;

WHEREAS, State Street Bank and Trust Company, a Massachusetts banking corporation, of which the Loan Trustee is a wholly-owned subsidiary, will enter into a guarantee, to be dated as of the Refunding Date (the "State Street Guarantee") for the benefit of, among others, the holders from time to time of the Equipment Notes (as defined below), substantially in the form of Exhibit A hereto with respect to certain obligations of the Loan Trustee;

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement:

(i) the Owner Trustee and the Owner Participant will enter into the First Amendment to Trust Agreement (AA 1995 PTC Series AA)(the "Trust Agreement Amendment"; the Original Trust Agreement, as so amended, the "Trust Agreement") in substantially the form of Exhibit M hereto;

(ii) the Owner Participant and the Lessee will enter into the First Amendment to Tax Indemnity Agreement (AA 1995 PTC Series AA) (the "Tax Indemnity Agreement Amendment"; the Original Tax Indemnity Agreement, as so amended, the "Tax Indemnity Agreement"), amending the Original Tax Indemnity Agreement;

(iii) subject to the terms hereof, the Owner Trustee and the Loan Trustee will amend and restate the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA) (the "Amended and Restated Indenture" or the "Indenture"), in substantially the form of Exhibit B hereto, for the benefit of the holder or holders of the Equipment Notes (as defined below), under which Indenture the Owner Trustee shall issue (a) equipment notes substantially in the form of Exhibit A to the Indenture to the Pass Through Trustee (as further defined in the Amended and Restated Indenture, being herein collectively called the "Pass Through Equipment Notes" and individually a "Pass Through Equipment Note"), and (b) equipment notes substantially in the form of Exhibit A-1 to the Indenture (as further defined in the Amended and Restated Indenture, being herein collectively called the "Bank Equipment Notes" and individually a "Bank Equipment Note") to the Initial Bank Lender (as further defined in the Amended and Restated Indenture, the Pass Through Equipment Notes together with the Bank Equipment Notes being herein collectively called the "Equipment Notes");

WHEREAS, Section 20 of the Original Participation Agreement contemplates redemption of the Original Loan Certificates pursuant to Section 2.12 of the Original Indenture as part of a refunding or refinancing operation, and Section 3(e) of the Original Lease contemplates the adjustment of Rent in the event of such a refunding or refinancing operation, and the Lessee has given its written notice to the Owner Participant and Owner Trustee pursuant to such Section 20 of the Lessee's desire to implement such a refunding or refinancing operation;

WHEREAS, pursuant to the Pass Through Trust Supplements, on the Refunding Date (as defined in Section 1 below) one or more grantor trusts (herein being collectively called the "Grantor Trusts" and individually a "Grantor Trust") will be created to facilitate a portion of the transactions contemplated hereby;

WHEREAS, the proceeds from the sale of the Pass Through Certificates will be applied to purchase the Pass Through Equipment Notes from the Owner Trustee;

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement, the Owner Trustee and the Lessee will enter into the First Amendment to the Original Lease in substantially the form of Exhibit C-1 hereto (the "Lease Amendment"; the Original Lease, as so amended, the "Lease"), containing amendments, modifications and additions necessary to give effect to the transactions described herein; and

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement, subject to the terms hereof, the Owner Trustee, the Lessee, the Owner Participant, the Indenture Trustee and the Loan Trustee will amend and restate the Original Rent Schedule as the Amended and Restated Rent Schedule (AA 1995 AF-1) (redesignated as AA 1995 Series AA), dated as of June 15, 1995 (the "Amended and Restated Rent Schedule"), in substantially the form of Exhibit C-2 hereto;

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

SECTION 1. PURCHASE OF EQUIPMENT NOTES; REFUNDING. (a) Subject to the satisfaction or waiver of the conditions set forth herein, at 9:00 a.m. New York City time on June 15, 1995 or at such other date and time, not later than July 31, 1995, as shall be specified by the Lessee (the "Refunding Date"), (i) immediately prior to the Closing (as hereinafter defined), if the Refunding Date is other than a Lease Period Date, the Lessee shall pay to the Owner Trustee as a prepayment of Basic Rent an amount equal to the interest accrued and unpaid on the Original Loan Certificates to the Refunding Date (such payment to be made directly to the Loan Trustee in accordance with Section 3(d) of the Lease), (ii) if the Refunding Date is a date other than the last day of an Interest Period (as defined in the

Original Indenture) the Lessee shall also pay to the Owner Trustee, as Supplemental Rent, the Break Amount (as defined in the Original Indenture), if any (such payment to be made directly to the Loan Trustee in accordance with Section 3(d) of the Lease), (iii) the Initial Bank Lender shall direct State Street, as trustee under Section 15 hereof with respect to the Deposit (as defined in such Section 15), to pay to the Loan Trustee on behalf of the Owner Trustee the aggregate purchase price of the Bank Equipment Notes being issued to it as set forth in clause (vii) of this Section 1(a), (iv) the Pass Through Trustee for each Grantor Trust shall pay to the Loan Trustee on behalf of the Owner Trustee the aggregate purchase price of the Pass Through Equipment Notes being issued to it as set forth in clause (vii) of this Section 1(a), (v) subject to the deposit with the Loan Trustee of the amounts referred to in clauses (i) through (iv) above, the Owner Trustee shall direct the Loan Trustee to disburse to the Original Loan Participant an amount equal to the then outstanding principal amount of all Original Loan Certificates outstanding on the Refunding Date together with accrued and unpaid interest on such Original Loan Certificates to the Refunding Date and Break Amount, if any, as a prepayment of such Original Loan Certificates in accordance with Section 2.12 of the Original Indenture, (vi) the Original Loan Participant shall, against receipt of payment for its Original Loan Certificates as aforesaid, deliver to the Loan Trustee all of its Original Loan Certificates for cancellation, and (vii) simultaneously with the prepayment of the Original Loan Certificates described in clause (v) above, (A) the Original Loan Participant shall authorize, and the Owner Trustee and the Loan Trustee shall enter into, the Amended and Restated Indenture as provided in Section 5, (B) the Owner Participant and the Owner Trustee shall enter into the Trust Agreement Amendment as provided in Section 8, (C) the Owner Trustee and the Lessee shall enter into the Lease Amendment as provided in Section 6, and (D) the Owner Trustee shall issue, pursuant to Article II of the Indenture and Section 2 hereof, to the Initial Bank Lender and the Pass Through Trustee for the Grantor Trusts the Bank Equipment Notes and the Pass Through Equipment Notes, respectively, to be purchased by it hereunder.

(b) The Owner Participant, by its execution and delivery hereof, requests and directs the Owner Trustee to execute and deliver this Agreement and, subject to the terms hereof, to take the actions contemplated herein.

(c) Each of the Original Loan Participant, the Initial Bank Lender and the Pass Through Trustee, by its execution and delivery hereof, authorizes the Loan Trustee to act for its benefit as contemplated in this Agreement and requests and directs the Loan Trustee to execute and deliver this Agreement and the Amended and Restated Indenture and, subject to the terms hereof and thereof, to take the actions contemplated herein and therein.

(d) In case the Initial Bank Lender or the Pass Through Trustee shall for any reason fail to purchase the Equipment Notes to be purchased by it pursuant to Section 1(a) above, the written notice given by the Lessee pursuant to Section 20 of the Original Participation Agreement shall be deemed never to have been given, neither the Owner Trustee nor the Lessee shall have any obligation to pay to the Original Loan Participant any amount in respect of the prepayment of the Loan Certificates, the Original Loan Certificates shall remain outstanding and in full force and effect, and the actions contemplated by Sections 5, 6, 7 and 8 hereof shall not take place.

(e) The closing (the "Closing") of the transactions described in this Agreement shall take place at the offices of Debevoise & Plimpton, 875 Third Avenue, New York, New York 10022, on the Refunding Date, or at such other place as the parties hereto may agree.

(f) All payments pursuant to this Section 1 shall be made in immediately available funds to such accounts and at such banks as the parties hereto shall designate in writing not less than one Business Day prior to the Refunding Date.

(g) Subject to the terms and conditions hereof, in order to facilitate a portion of the refinancing by the Owner Trustee of the Original Loan Certificates contemplated hereby, the Lessee intends to enter into an underwriting agreement, to be dated on or prior to the Refunding Date, among the Lessee and one or more underwriters (the "Underwriters") named therein (the "Underwriting Agreement"); and the Lessee will enter into the Pass Through Trust Supplements as the "issuer," as defined in and solely for purposes of the Securities Act of 1933, as amended (the "Securities Act"), of the Pass Through Certificates being issued thereunder, and as the "obligor," as defined in and solely for purposes of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), with respect to such Pass Through Certificates and will undertake to perform certain adminis-

trative and ministerial duties under such Pass Through Trust Supplements.

SECTION 2. EQUIPMENT NOTES. (a) The aggregate principal amount of the Equipment Notes shall be \$55,200,000. Set forth on Schedule II hereto are indicative principal amounts and amortization schedules for the Pass Through Equipment Notes and the Bank Equipment Notes, calculated assuming that the Pass Through Equipment Notes will bear interest at the rate of 8.60% per annum, and the Bank Equipment Notes will bear interest at the rate of 7.53% per annum. The parties acknowledge that the principal amounts and amortization schedules of the Pass Through Equipment Notes and the Bank Equipment Notes are subject to change prior to the Refunding Date, and that the final principal amounts and amortization schedules of the Pass Through Equipment Notes and the Bank Equipment Notes will be determined, subject to the terms of this Refunding Agreement, based upon the actual interest rates to be borne by the Pass Through Equipment Notes and the Bank Equipment Notes and the resulting recalculation of the figures on the Exhibits to the Amended and Restated Rent Schedule contemplated by Section 6 hereof.

(b) Subject to the terms hereof, the Pass Through Equipment Notes will bear interest at the rate, mature on the date, and be payable as to principal in the amounts, to be specified in the Underwriting Agreement.

(c) In addition to the conditions precedent to the obligations of the Initial Bank Lender set forth in Section 3, the obligations of the Initial Bank Lender to purchase the Bank Equipment Notes as contemplated hereby shall be subject to the additional condition precedent that, notwithstanding the recalculations referred to in Section 2(a), the Bank Equipment Notes shall have the following terms: (i) the sum of (A) the aggregate principal amount of the Bank Equipment Notes plus (B) the aggregate principal amount of the bank equipment notes to be issued pursuant to the Amended and Restated Trust Indentures and Security Agreements (AA 1995 PTC Series AB) and (AA 1995 PTC Series AC) (the "Other Indentures"), each dated as of June 15, 1995, shall not exceed \$115,000,000; (ii) the final maturity date of the Bank Equipment Notes shall not extend beyond January 2, 2011; (iii) the weighted average life to maturity of the Bank Equipment Notes from the Refunding Date (calculated in accordance with standard financial practice) shall not exceed 11 years; (iv) the actual principal amount, amortization schedule and fixed interest rate borne by the

Bank Equipment Notes shall be irrevocably set on the date on which the Initial Bank Lender enters into the Swap; and (v) the fixed interest rate to be borne by the Bank Equipment Notes (such rate to be satisfactory to the Lessee) shall be equal to the fixed interest rate payable by the Initial Bank Lender in the Swap (as defined below). For purposes of this Section 2, the term "Swap" shall refer to a Swap Transaction having the terms and characteristics described in Exhibit N (or such other terms and characteristics as shall be approved by the Lessee) to be entered into by the Initial Bank Lender prior to the Refunding Date pursuant to which the Initial Bank Lender will receive floating rate payments, calculated and payable as contemplated by such Exhibit N, equal to 6 month USD-LIBOR-BBA plus a spread of 80 basis points. The Initial Bank Lender agrees to enter into the Swap, based on a notional principal amount specified by the Lessee (subject to clauses (i), (ii) and (iii) of the proviso to the second preceding sentence), on a date to be designated by the Lessee not less than four Business Days prior to the Refunding Date. In the event that the terms of the Swap actually entered into by the Initial Bank Lender vary, with the Lessee's approval as provided above, from those described in Exhibit N, Exhibit N shall be modified to reflect such different terms, and Exhibit N, as so modified, shall thereupon constitute Exhibit N to this Refunding Agreement for all purposes of this Refunding Agreement and the other Operative Documents.

(d) The Equipment Notes shall be payable as to principal in accordance with the terms of the Indenture, and the Equipment Notes of each maturity shall provide for a fixed rate of interest per annum and shall contain the terms and provisions provided for the Equipment Notes of such maturity in the Indenture. The Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver to the Initial Bank Lender and the Pass Through Trustee for each Grantor Trust, a principal amount of Equipment Notes of the maturity and interest rate and in the principal amounts, all as determined in accordance with the provisions of this Refunding Agreement. Subject to the terms hereof and of the other Operative Documents, all such Equipment Notes shall be dated and authenticated as of the Refunding Date and shall bear interest therefrom, shall be registered in the name of the Initial Bank Lender and in such names as shall be specified by the Pass Through Trustee, and shall be paid in the manner and at such places as are set forth in the Indenture.

SECTION 3. CONDITIONS PRECEDENT. The obligation of the Initial Bank Lender to direct State Street to make the payment described in Section 1(a)(iii), the obligation of the Pass Through Trustee to make the payment described in Section 1(a)(iv), and the obligations of the Owner Trustee and the Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date are subject to the fulfillment, prior to or on the Refunding Date, of the following conditions precedent (except that paragraphs (f) and (l) shall not be conditions precedent to the obligations of the Owner Trustee hereunder; paragraphs (g) and (n) shall not be conditions precedent to the obligations of the Owner Participant hereunder; and paragraphs (a) (to the extent such paragraph (a) applies to the Pass Through Trustee), (p) and (q) (to the extent such paragraph (q) applies to the Pass Through Trustee) shall not be conditions precedent to the obligations of the Initial Bank Lender hereunder):

(a) The Owner Trustee shall have tendered to the Loan Trustee for authentication the Equipment Notes issued to effect the refunding contemplated by Section 1 hereof, and the Loan Trustee shall have authenticated such Equipment Notes and shall have tendered the Bank Equipment Notes included in such Equipment Notes to the Initial Bank Lender and the Pass Through Equipment Notes included in such Equipment Notes to the Pass Through Trustee in accordance with Section 2.

(b) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received executed counterparts or conformed copies of the following documents:

- (1) the Original Lease and the Lease Amendment;
- (2) the Original Rent Schedule and, subject to Section 6, the Amended and Restated Rent Schedule;
- (3) the Original Trust Agreement and the Trust Agreement Amendment;
- (4) the Indenture;
- (5) the Purchase Agreement Assignment;

(6) the Original Participation Agreement and this Agreement;

(7) the Pass Through Trust Supplements and the Pass Through Trust Agreement (collectively, the "Pass Through Trust Documents") (for the Pass Through Trustee, the Owner Trustee and the Owner Participant only);

(8) the Instrument of Resignation;

(9) the Tax Indemnity Agreement Amendment (for the Owner Participant only); and

(10) the State Street Guarantee.

(c) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received the following:

(1) an incumbency certificate of the Lessee as to the person or persons authorized to execute and deliver this Agreement, the Lease Amendment and any other documents to be executed on behalf of the Lessee in connection with the transactions contemplated hereby and the signatures of such person or persons;

(2) a copy of the resolutions of the board of directors of the Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the transactions contemplated hereby and the execution and delivery of each of the documents required to be executed and delivered on behalf of the Lessee in connection with the transactions contemplated hereby; and

(3) a copy of the certificate of incorporation of the Lessee certified by the Secretary of State of the State of Delaware, a copy of the By-Laws of the Lessee, certified by the Secretary or an Assistant Secretary of the Lessee, and a telegram or other evidence from the Secretary of the State of the State of Delaware as to the good standing of the Lessee.

(d) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Lessee, dated the Refunding Date, certifying that:

(1) the Aircraft has been duly certified by the Federal Aviation Administration as to type and airworthiness in accordance with the terms of the Original Lease and has a current, valid certificate of airworthiness;

(2) the FAA Bill of Sale, the Original Lease and the Original Indenture have been duly recorded, and the Original Trust Agreement has been duly filed, with the FAA pursuant to the Federal Aviation Act;

(3) the Aircraft has been registered with the Federal Aviation Administration in the name of the Owner Trustee and the Lessee has authority to operate the Aircraft;

(4) the representations and warranties contained herein of the Lessee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date); and

(5) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both, and no Event of Loss has occurred and is continuing.

(e) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Loan Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Loan Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(f) The Initial Bank Lender, the Pass Through Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Owner Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(g) The Initial Bank Lender, the Pass Through Trustee and the Owner Trustee each shall have received a certificate signed by an authorized officer of the Owner Participant, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Participant are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(h) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an independent insurance broker's report, together with certificates of insurance from such broker, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(i) The Initial Bank Lender and the Pass Through Trustee shall have received copies of all Uniform Commercial Code financing statements covering the security interests created by or pursuant to the Granting Clause of the Original Indenture and all Uniform Commercial Code financing statements describing the Lease as a lease and any continuation statements relating thereto.

(j) (A) A UCC-1 financing statement covering the security interests created by the Original Indenture naming the Owner Trustee, as debtor, and the Indenture Trustee, as secured party, shall have been duly filed with the Secretary of State of the State of Delaware, (B) an amendment (including an assignment) to such Uniform Commercial Code financing statement with respect to the replacement of the Indenture Trustee and

the amendment of the Original Indenture shall have been executed and delivered by the Owner Trustee, as debtor, the Indenture Trustee, as secured party, and the Loan Trustee, as assignee of the secured party, and such financing statement amendment shall have been positioned for filing and, upon Closing, promptly filed with the Secretary of State of the State of Delaware, (C) a UCC-1 financing statement covering the security interests created by the Amended and Restated Indenture naming the Owner Trustee, as debtor, and the Loan Trustee, as secured party, shall have been duly filed with the Secretary of State of the State of Delaware, and (D) an amendment (including an assignment) to the Uniform Commercial Code financing statement describing the Lease as a lease shall have been executed and delivered by the Indenture Trustee, the Loan Trustee and the Lessee, and such financing statement amendment shall have been positioned for filing and, upon Closing, promptly filed with the Secretary of State of the State of Texas.

(k) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Debevoise & Plimpton, special counsel for the Lessee, substantially in the form of Exhibit D hereto, and an opinion addressed to it from Anne H. McNamara, Esq., Senior Vice President and General Counsel of the Lessee, substantially in the form of Exhibit E hereto.

(l) The Initial Bank Lender, the Pass Through Trustee and the Owner Participant each shall have received an opinion addressed to it from Potter Anderson & Corroon, special counsel for the Owner Trustee, substantially in the form of Exhibit F hereto.

(m) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Bingham, Dana & Gould, special counsel for the Loan Trustee, substantially in the form of Exhibit G hereto.

(n) The Initial Bank Lender, the Pass Through Trustee and the Owner Trustee each shall have received an opinion addressed to it from Sidley & Austin, special counsel for the Owner Participant, substantially in the form of Exhibit H hereto, and an opinion addressed to it from Louis B. Fontana, Jr. counsel of

the Owner Participant, substantially in the form of Exhibit I hereto.

(o) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, substantially in the form of Exhibit J hereto.

(p) The Lessee shall have entered into the Underwriting Agreement and the Pass Through Trust Supplements, the Pass Through Certificates shall have been issued and sold pursuant to the Underwriting Agreement and the Pass Through Trust Supplements, and the Underwriters shall have transferred to the Pass Through Trustee in immediately available funds an amount equal to the aggregate purchase price of the Pass Through Equipment Notes to be purchased from the Owner Trustee.

(q) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that would make it illegal for the Initial Bank Lender or the Pass Through Trustee to make the payments described in Section 1(a) or for the Owner Trustee or Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date.

(r) All approvals and consents of any trustee or holder of any indebtedness or obligations of the Lessee which are required in connection with the Initial Bank Lender's or the Pass Through Trustee's making of the payments described in Section 1(a) or the Owner Trustee's or Owner Participant's participation in the transactions contemplated by this Agreement on the Refunding Date shall have been duly obtained.

Promptly following the recording of the Instrument of Resignation, the Lease Amendment and the Amended and Restated Indenture pursuant to the Federal Aviation Act and the filing of the Trust Agreement Amendment pursuant to such Act, the Lessee will cause Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, to deliver to the Initial Bank Lender, the Pass Through Trustee, the Lessee, the Loan Trustee, the Owner Participant and the Owner Trustee an opinion as to the due recording of the Instrument of Resignation, the Lease Amendment and the Indenture.

## SECTION 4. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE

LESSEE; CONDITIONS PRECEDENT WITH RESPECT TO THE PASS THROUGH TRUSTEE. (a) The Lessee's obligation to participate in the transactions contemplated by this Agreement and to execute and deliver the Lease Amendment are subject to (i) the interest rates, principal amounts and amortization schedules of the Bank Equipment Notes and the Pass Through Equipment Notes being satisfactory to the Lessee, (ii) the fulfillment prior to or on the Refunding Date, of the conditions precedent listed in subsection (a), (b), clauses (1) through (3) of subsection (d), and subsections (e), (f), (g), (j), (q) and (r) of Section 3 with respect to the other parties hereto and (iii) the receipt by the Lessee (and the Loan Trustee in the case of the forms referred to in clause (C) hereof) of (A) each certificate referred to in subsections (e), (f) and (g) of Section 3, (B) each opinion referred to in subsections (l) through (o) of Section 3, addressed to the Lessee or accompanied by a letter from counsel rendering such opinion authorizing the Lessee to rely on such opinion as if it were addressed to the Lessee, (C) two valid executed copies of Internal Revenue Service Form 4224 from the Initial Bank Lender, (D) a certificate of the Initial Bank Lender certifying that, to the best of its knowledge, the Initial Bank Lender is not then entitled to indemnification for any amounts described in Section 14(a) hereof or 7(c) of the Participation Agreement and that the Initial Bank Lender shall not become, by reason of any Regulatory Change then effective or likely in its best judgment to become effective, entitled to any such amount described in Section 14(a) hereof or 7(c) of the Participation Agreement, and (E) such other documents and evidence with respect to each other party hereto as the Lessee may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

(b) The respective obligations of each of the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee to participate in the transactions contemplated hereby is subject to the receipt by each of them of (i) a certificate signed by an authorized officer of the Pass Through Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Pass Through Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date), (ii) an opinion addressed

to each of them of Bingham, Dana & Gould, special counsel for the Pass Through Trustee, substantially in the form of Exhibit K hereto, and (iii) such other documents and evidence with respect to the Pass Through Trustee as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

SECTION 5. SUCCESSOR TRUSTEE; EXECUTION AND DELIVERY OF THE NEW INDENTURE. The Original Loan Participant, the Owner Trustee and the Lessee hereby waive notice of the resignation of the Indenture Trustee pursuant to the Instrument of Resignation. Each of the Original Loan Participant, Lessee, Pass Through Trustee and Owner Trustee agrees that, notwithstanding the provisions of Section 8.02 of the Original Indenture, the Loan Trustee is an acceptable successor to the Indenture Trustee and the provisions of Section 8.02(b) of the Original Indenture are hereby waived by the Original Loan Participant, the Owner Trustee, the Indenture Trustee and the Loan Trustee. The Original Loan Participant and the Owner Participant, by execution and delivery hereof, request and direct the Owner Trustee and the Loan Trustee to execute and deliver the Indenture, and the Owner Trustee and the Loan Trustee agree to execute and deliver the Indenture (the Indenture to be executed and delivered to include a completed Exhibit B setting forth the interest rates, principal amounts and amortization schedules of the Equipment Notes determined as contemplated by Section 2 hereof). The Lessee, by execution and delivery hereof, consents to such execution and delivery of the Indenture. The Initial Bank Lender, by execution and delivery hereof, consents to the Indenture. The Indenture shall be effective as of the Closing.

SECTION 6. AMENDMENT OF THE ORIGINAL LEASE AND AMENDMENT AND RESTATEMENT OF THE ORIGINAL RENT SCHEDULE. The Loan Trustee and the Owner Participant, by execution and delivery hereof, request and instruct the Owner Trustee to execute and deliver the Lease Amendment and the Amended and Restated Rent Schedule; the Original Loan Participant, by execution and delivery hereof, requests and instructs the Indenture Trustee to execute and deliver the Amended and Restated Rent Schedule; the Owner Trustee and the Lessee agree to execute and deliver the Lease Amendment, and the Owner Trustee, the Loan Trustee, the Indenture Trustee, the Owner Participant and the Lessee agree to execute and deliver the Amended and Restated Rent Schedule. The Initial Bank

Lender, by execution and delivery hereof, consents to the Lease Amendment and the Amended and Restated Rent Schedule. The Lease Amendment and the Amended and Restated Rent Schedule shall be effective as of the Closing. Notwithstanding the foregoing, the parties hereto acknowledge that the figures on Exhibits A, B and C to the Amended and Restated Rent Schedule, as well as certain other financial data included in Sections 6 and 8 of the Amended and Restated Rent Schedule, will be recalculated prior to the Refunding Date, utilizing the same methods and assumptions originally used to calculate the Exhibits and financial data included in the form of Amended and Restated Rent Schedule attached to and made a part of this Refunding Agreement on the date hereof (and subject to the verification provisions of the last paragraph of Section 20(c) of the Original Participation Agreement), to reflect solely (i) the actual Refunding Date, (ii) any change agreed to by the Owner Participant and the Lessee in the Transaction Costs pricing assumption reflected in Section 3(e) of the form of Lease Amendment attached as Exhibit C-1 hereto and Section 18(a) of the Amendment to Participation Agreement attached as Exhibit L hereto (such Sections 3(e) and 18(a) to be modified to reflect any such agreed change), and (iii) the actual interest rates to be borne by the Pass Through Equipment Notes and the Bank Equipment Notes, with all other factors and assumptions reflected in such figures and financial data remaining unchanged; provided that Basic Rent for any Lease Period or portion thereof occurring during the period from the Refunding Date to the third anniversary of the Base Lease Commencement Date shall be recalculated on the basis of the average daily equivalent rent for such Lease Period or portion thereof. The Owner Participant and the Lessee will cooperate in effecting such revisions to the Amended and Restated Rent Schedule and will provide the Owner Trustee, the Loan Trustee, the Pass Through Trustee and the Initial Bank Lender with a copy of the revised version no later than four Business Days prior to the Refunding Date.

SECTION 7. AMENDMENT OF THE PARTICIPATION AGREEMENT.

Effective upon the Closing, the parties hereto agree that, without further act, the Original Participation Agreement shall be amended as set forth in Exhibit L hereto (such Original Participation Agreement, as so amended, the "Participation Agreement"), and the Initial Bank Lender, the Pass Through Trustee and the Loan Trustee shall be deemed to be parties thereto from and after the Closing to the extent set forth in such Exhibit L. Except as so amended hereby, the Original Participation Agreement (including without

limitation Section 14 thereof) shall remain in full force and effect.

SECTION 8. AMENDMENT OF THE TRUST AGREEMENT. The Owner Participant, by execution and delivery hereof, requests and instructs the Owner Trustee to execute and deliver the Trust Agreement Amendment; the Owner Trustee and the Owner Participant, by execution and delivery hereof, agree (subject to the terms of this Agreement) to execute and deliver the Trust Agreement Amendment. The Initial Bank Lender, by execution and delivery hereof, consents to the terms of the Trust Agreement Amendment. The Trust Agreement Amendment shall be effective as of the Refunding Date.

SECTION 9. LESSEE'S REPRESENTATIONS AND WARRANTIES. The Lessee represents and warrants that:

(a) the Lessee is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware; the Lessee is an "air carrier" within the meaning of 49 U.S.C. Section 40102(a); the Lessee holds a certificate of public convenience and necessity in accordance with 49 U.S.C. Section 41102, and an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo; the Lessee is a "citizen of the United States" as defined in 49 U.S.C. Section 40102; the Lessee has the corporate power and authority to own or hold under lease its properties, has (or had or will have on the respective dates of execution thereof) the corporate power and authority to enter into this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents and the other Operative Documents to which it is or will be a party, has the corporate power and authority to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, and is duly qualified to do business as a foreign corporation in good standing in each state in which it has intrastate routes or has a principal office or a major overhaul facility, and its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code in effect in the State of Texas) is located in Fort Worth, Texas;

(b) the execution and delivery by the Lessee of this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, and the performance of this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, or approval or consent of any trustee or holder of any indebtedness or obligations of the Lessee, except such as have been duly obtained and are in full force and effect, and do not contravene any law, governmental rule, regulation or order binding on the Lessee or the Certificate of Incorporation or By-Laws of the Lessee or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than Permitted Liens) upon the property of the Lessee under, any indenture, mortgage, contract or other agreement to which the Lessee is a party or by which it may be bound or affected;

(c) neither the execution and delivery by the Lessee of this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents or any other Operative Document to which it is or will be a party, nor the performance of its obligations hereunder or under the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents or the Other Operative Documents to which it is or will be a party, nor the consummation by the Lessee of any of the transactions contemplated hereby or thereby, requires the further consent or approval of, the further giving of notice to, the further registration with, or the further taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, or any other Federal, state or foreign governmental authority having jurisdiction, other than (i) the registration of the issuance and sale of the Pass Through Certificates, Series 1995-A (the "Pass Through Certificates"), to be issued pursuant to the provisions of the Pass Through Trust Documents, under the Securities Act, which registration shall have been accomplished by the Refunding Date, and under the securities laws of any state in which the Pass Through Certificates may be offered for sale if the laws of such state

require such action, (ii) the qualification of the Pass Through Trust Documents under the Trust Indenture, which qualification shall have been obtained by the Refunding Date pursuant to an order of the Securities and Exchange Commission, (iii) the registrations and filings referred to in Section 9(h), (iv) the filing of those certain Uniform Commercial Code financing statements and amendments to Uniform Commercial Code financing statements referred to in Section 3(j), and (v) such action, as a result of any act or omission by the Initial Bank Lender or any of its affiliates, as may be required under the United States federal securities laws or the securities or other laws of any state thereof applicable to sales of securities;

(d) each of this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Lease, the Original Rent Schedule, the Pass Through Trust Documents and each other Operative Document to which the Lessee is a party constitutes, and each of the Participation Agreement when the Closing has occurred and the Tax Indemnity Agreement, the Amended and Restated Rent Schedule and the Lease when the Tax Indemnity Agreement Amendment, the Amended and Restated Rent Schedule and the Lease Amendment shall have been entered into will constitute, the legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and except, in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not make the remedies provided in the Lease inadequate for practical realization of the rights and benefits provided thereby;

(e) as of the date of this Refunding Agreement there are no pending or, to the Lessee's knowledge, threatened actions or proceedings before any court or administrative agency or arbitrator which would materially adversely affect the ability of the Lessee to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents or any of the other Operative Documents to which it is a party or by which it is bound;

(f) the Lessee and its subsidiaries have filed or caused to be filed all Federal, state, local and foreign tax returns which are required to be filed and have paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by the Lessee or any of its subsidiaries, to the extent that such taxes have become due and payable; the Federal income tax liability, if any, of the Lessee has been determined by the Internal Revenue Service (or the statute of limitations has expired with respect to a redetermination of such liability and no waiver or extension of such statute of limitations has been granted or consented to by the Lessee or by any court or tribunal) and (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) paid for all years prior to and including the fiscal year ended December 31, 1984; the Federal income tax returns of the Lessee for the fiscal years ended December 31, 1985 to December 31, 1994, inclusive, are subject to examination by the Internal Revenue Service;

(g) (i) the audited consolidated balance sheet of the Lessee and its subsidiaries as of the end of each of its last three fiscal years, and the related consolidated statements of operations and cash flows for the three fiscal years then ended (copies of which have been furnished to the Initial Bank Lender and the Pass Through Trustee), fairly present the consolidated financial position of the Lessee and its consolidated subsidiaries as at the end of each such fiscal year and the consolidated results of their operations and cash flows for each such fiscal year in accordance with generally accepted accounting principles applied on a consistent basis (except as may be noted in such financial statements); and (ii) from December 31, 1994 to the date of this Refunding Agreement, there has been no material adverse change in such consolidated financial condition of the Lessee and its consolidated subsidiaries, taken as a whole;

(h) except for the filings contemplated by Section 3(j) hereof, the filing of the Trust Agreement Amendment pursuant to the Federal Aviation Act and the filing for recording pursuant to such Act of the Indenture, the Instrument of Resignation and the Lease Amendment, no further filing or recording of any docu-

ment (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction) is necessary under the laws of the United States of America or any State thereof in order to perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties, or to perfect the security interest in favor of the Loan Trustee in the Owner Trustee's interest in the Aircraft or the Lease (with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to 49 U.S.C. Section 44107) in any applicable jurisdiction in the United States (other than the filing of continuation statements with respect to the Uniform Commercial Code financing statements referred to in Section 3(j) hereof);

(i) neither the Lessee nor any Person authorized to act on its behalf (it being agreed that no Bank Lender is authorized to act on its behalf) has (1) directly or indirectly offered any interest in the Trust Estate or any similar interest for sale to, or solicited any offer to acquire the same from, any Person other than the Owner Participant and not more than 35 other institutional investors, (2) directly or indirectly offered any Bank Equipment Notes being sold, purchased or delivered pursuant to this Agreement or any similar interest for sale to, or solicited any offer to acquire the same from, any Person other than the Initial Bank Lender and not more than 35 other institutional investors, or (3) directly or indirectly offered the Pass Through Certificates for sale to any Person other than in a manner required by the Securities Act and by the rules and regulations thereunder;

(j) the Lessee is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended; and

(k) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both, and no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the lapse of time.

## SECTION 10. REPRESENTATIONS, WARRANTIES AND COVENANTS.

(a) The Loan Trustee represents, warrants and covenants that:

(1) the Loan Trustee is a national banking association duly organized and validly existing and in good standing under the laws of the United States, is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 and will resign as Loan Trustee promptly after it obtains actual knowledge that it has ceased to be such a citizen, and has the full corporate power, authority and legal right under the laws of the State of Connecticut and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of this Agreement, the Indenture and each other Operative Document to which it is or will be a party and the Instrument of Resignation and to carry out its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Document to which it is or will be a party;

(2) the execution and delivery by the Loan Trustee of this Agreement, the Indenture, each other Operative Document to which it is or will be a party and the Instrument of Resignation and the performance by the Loan Trustee of its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Document to which it is or will be a party have been duly authorized by the Loan Trustee and will not violate its articles of association or by-laws or the provisions of any indenture, mortgage, contract or other agreement to which it is a party or by which it is bound; and

(3) this Agreement constitutes, and the Participation Agreement, when the Closing has occurred, and the Indenture, the Instrument of Resignation and the Amended and Restated Rent Schedule, when executed and delivered by the Loan Trustee, will constitute, the legal, valid and binding obligations of the Loan Trustee enforceable against it in accordance with their respective terms.

(b) The Owner Trustee, in its individual capacity (except with respect to clauses (3) and (4) below) and (but only with respect to clauses (3), (4) and, to the extent that it relates to the Owner Trustee, clause (9)) as Owner Trustee, represents and warrants that:

(1) the Owner Trustee, in its individual capacity, is a banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, has full corporate power and authority to carry on its business as now conducted and has (or had or will have on the respective dates of execution thereof), the corporate power and authority to execute and deliver the Trust Agreement and the Trust Agreement Amendment, has the corporate power and authority to carry out the terms of the Trust Agreement, has (or had or will have on the respective dates of execution thereof) (assuming the authorization, execution and delivery of the Trust Agreement and the Trust Agreement Amendment by the Owner Participant), as Owner Trustee, and to the extent expressly provided herein or therein, in its individual capacity, the corporate power and authority to execute and deliver this Agreement, the Original Indenture, the Indenture, the Equipment Notes, the Lease Amendment, the Amended and Restated Rent Schedule and each other Operative Document (other than the Trust Agreement) to which it is or will be a party and has the corporate power and authority to carry out the terms of this Agreement, the Participation Agreement, the Lease, the Indenture, the Equipment Notes and each other Operative Document (other than the Trust Agreement) to which it is or will be a party;

(2) the Owner Trustee in its trust capacity and, to the extent expressly provided therein, in its individual capacity, has or will have duly authorized, executed and delivered the Original Trust Agreement and the Trust Agreement Amendment, and (assuming the due authorization, execution and delivery of the Original Trust Agreement and Trust Agreement Amendment by the Owner Participant) each of this Agreement, the Original Participation Agreement, the Original Trust Agreement, the Original Indenture, the Original Lease and each other Operative Document, in each case solely to the extent entered into by the Owner Trustee in its individual capacity, and the Trust Agreement constitutes, a legal, valid and binding obligation of the Owner Trustee, in its individual capacity, enforceable against it in its individual capacity in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(3) assuming the due authorization, execution and delivery of the Original Trust Agreement and the Trust Agreement Amendment by the Owner Participant, each of this Agreement, the Original Participation Agreement, the Original Indenture, the Original Lease, and each other Operative Document to which it is or will be party, constitutes, and each of the Participation Agreement, when the Closing has occurred, the Indenture, when entered into, the Lease, the Lease Amendment, when entered into, and the Amended and Restated Rent Schedule, when entered into, will constitute, the legal, valid and binding obligation of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(4) assuming the due authorization, execution and delivery of the Original Trust Agreement and the Trust Agreement Amendment by the Owner Participant, the Owner Trustee has duly authorized or will have duly authorized by the Refunding Date, and on the Refunding Date shall have duly issued, executed and delivered to the Loan Trustee for authentication, the Equipment Notes pursuant to the terms and provisions hereof and of the Indenture, and each Equipment Note on the Refunding Date will constitute the valid and binding obligation of the Owner Trustee and will be entitled to the benefits and security afforded by the Indenture in accordance with the terms of such Equipment Note and the Indenture;

(5) neither the execution and delivery by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of this Agreement, the Original Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Indenture, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Purchase Agreement Assignment or the Equipment Notes, nor the consummation by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or thereby, nor the compliance by the Owner Trustee, in its individual capacity

or as Owner Trustee, as the case may be, with any of the terms and provisions hereof and thereof, (A) requires or will require any approval of its stockholders, or approval or consent of any trustees or holders of any indebtedness or obligations of it, or (B) violates or will violate its certificate of incorporation or by-laws, or contravenes or will contravene any provision of, or constitutes or will constitute a default under, or results or will result in any breach of, or results or will result in the creation of any Lien (other than as permitted under the Lease) upon its property under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sale contract, bank loan or credit agreement, license or other agreement or instrument to which it is a party or by which it is bound, or contravenes or will contravene any law, governmental rule or regulation of the United States of America or the State of Delaware governing the trust powers of the Owner Trustee, or any judgment or order applicable to or binding on it;

(6) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any Delaware State or local governmental authority or agency or any United States federal governmental authority or agency regulating the trust powers of the Owner Trustee in its individual capacity is required for the execution and delivery of, or the carrying out by, the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or by the Trust Agreement, the Participation Agreement, the Indenture, the Lease, the Amended and Restated Rent Schedule, the Purchase Agreement Assignment or the Equipment Notes, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken;

(7) there exists no Lessor's Lien attributable to the Owner Trustee, in its individual capacity;

(8) there are no Taxes payable by the Owner Trustee, either in its individual capacity or as Owner Trustee, imposed by the State of Delaware or any political subdivision thereof in connection with the redemption of the Loan Certificates or the issuance of the Equipment Notes or the execution and delivery by the Owner Trustee in its individual capacity of the Origi-

nal Trust Agreement, and in its individual capacity or as Owner Trustee, as the case may be, of any of the instruments referred to in clauses (1), (2) and (4) above, that, in each case, would not have been imposed if the Trust Estate had not been created pursuant to the laws of the State of Delaware and Wilmington Trust Company had not (a) been incorporated under the laws of, (b) had its principal place of business in, (c) performed (in its individual capacity or as Owner Trustee) any or all of its duties under the Operative Documents in, and (d) engaged in any activities unrelated to the transactions contemplated by the Operative Documents in, the State of Delaware;

(9) there are no pending or threatened actions or proceedings against the Owner Trustee, either in its individual capacity or as Owner Trustee, before any court or administrative agency which, if determined adversely to it, would materially adversely affect the ability of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to perform its obligations under any of the instruments referred to in clauses (1), (2), (4) and (5) above;

(10) both its chief executive office, and the place where its records concerning the Aircraft and all its interests in, to and under all documents relating to the Trust Estate, are located in Wilmington, Delaware, and the Owner Trustee, in its individual capacity, agrees to give the Lessee, the Owner Participant, the Loan Trustee and the Pass Through Trustee at least 30 days' prior written notice of any relocation of said chief executive office or said place from its present location;

(11) the Owner Trustee in its individual capacity or as Owner Trustee has not directly or indirectly offered any Equipment Note or Pass Through Certificate or any interest in or to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone other than the Pass Through Trustee, the Original Loan Participant, the Initial Bank Lender and the Owner Participant; and the Owner Trustee has not authorized anyone to act on its behalf (it being understood that in arranging and proposing the refinancing contemplated hereby and agreed to herein by the Owner Trustee, the Lessee has not acted as agent of the Owner Trustee) to offer directly or indirectly any Equipment

Note, any Pass Through Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or to solicit any offer to acquire any of the same from, any person; and

(12) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or voting powers agreement).

(c) The Owner Participant represents and warrants that:

(1) it is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its present business and operations and to own or lease its properties, has, or had or will have at the time of its execution, the corporate power and authority to enter into this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement, the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule, and has the corporate power and authority to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Trust Agreement and the Amended and Restated Rent Schedule; and this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement and the Original Rent Schedule have been duly authorized, executed and delivered by it, and the execution and delivery of the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule has been or will be duly authorized by it; and each of this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement and the Original Rent Schedule constitutes, and each of the Participation Agreement, when the Closing has occurred, and the Tax Indemnity Agreement, the Trust Agreement and the Amended and Restated Rent Schedule, when the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule shall have been entered into will constitute, the legal, valid and binding obligations of the Owner Participant enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the

rights of creditors generally and by general principles of equity;

(2) neither (a) the execution and delivery by the Owner Participant of this Agreement, the Tax Indemnity Agreement Amendment, the Participation Agreement, the Trust Agreement Amendment, the Amended and Restated Rent Schedule or any other Operative Document to which it is or will become a party nor (b) compliance by it with all of the provisions thereof, (1) will contravene any law or order of any court or governmental authority or agency applicable to or binding on the Owner Participant (it being understood that no representation or warranty is made with respect to laws, rules or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee other than such laws, rules or regulations relating to the citizenship requirements of the Owner Participant under applicable law), or (2) will contravene the provisions of, or constitutes or has constituted or will constitute a default under, its articles of incorporation or by-laws or any indenture, mortgage, contract or other agreement or instrument to which the Owner Participant is a party or by which it or any of its property may be bound or affected;

(3) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than as required by the Federal Aviation Act or the regulations promulgated thereunder and except for routine insurance regulatory filings which have been or will be made) is or was required, as the case may be, for the due execution, delivery or performance by it of this Agreement, the Participation Agreement, the Tax Indemnity Agreement Amendment, the Tax Indemnity Agreement, the Trust Agreement Amendment, the Trust Agreement and the Amended and Restated Rent Schedule;

(4) there are no pending or, to the knowledge of the Owner Participant, threatened actions or proceedings before any court or administrative agency or arbitrator which would materially adversely affect the Owner Participant's ability to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement and the Trust Agreement;

(5) neither the Owner Participant nor anyone authorized by it to act on its behalf (it being under-

stood that in arranging and proposing the refinancing contemplated hereby and agreed to herein by the Owner Participant, the Lessee has not acted as agent of the Owner Participant) has directly or indirectly offered any Equipment Note or Pass Through Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone; the Owner Participant's interest in the Trust Estate and the Trust Agreement was acquired for its own account and was purchased for investment and not with a view to any resale or distribution thereof;

(6) on the Refunding Date, the Trust Estate shall be free of Lessor's Liens attributable to the Owner Participant; and

(7) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or a voting powers agreement).

(d) The Initial Bank Lender as of the date hereof and as of the Refunding Date, and each other Bank Lender as of the date such Bank Lender acquires its Bank Equipment Notes, hereby represents, warrants and covenants to the Owner Participant, the Owner Trustee, the Loan Trustee, the Pass Through Trustee and the Lessee that:

(i) (A) such Bank Lender is acquiring its Bank Equipment Notes for its own account and not with a view to the resale or distribution thereof, provided that the disposition of its property shall at all times be and remain within its control; (B) such Bank Lender acknowledges and agrees that the Bank Equipment Notes were initially offered in a transaction not involving any public offering within the meaning of the Securities Act, and that the Bank Equipment Notes have not been and will not be registered under the Securities Act and are subject to the restrictions on their transfer set forth therein and in this Refunding Agreement; (C) such Bank Lender shall not engage in a transfer, resale or distribution of the Bank Equipment Notes, or sell any participation and/or otherwise transfer or assign all or any portion of its rights, obligations or interests in respect of any of the Bank Equipment Notes, or make any offer in respect of any of the foregoing, under circumstances which would violate any securities or similar laws or require registration under the Securities Act, or qualification of the In-

denture under the Trust Indenture Act; and (D) such Bank Lender has not acquired and shall not acquire any Pass Through Equipment Notes or Pass Through Certificates;

(ii) no part of the funds to be used by such Bank Lender to acquire its Bank Equipment Notes constitutes any assets of any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Security Act of 1974, as amended) or "plan" (as defined in Section 4975(e) of the Code);

(iii) such Bank Lender other than a Replacement Lender is a QIB and is described in one of the following clauses (A) through (C):

(A) such Bank Lender (i) is, and as long as it is a Bank Lender will be, (x) a United States branch or agency of a commercial banking institution or (y) a Cayman Islands branch or agency of a commercial banking institution having a United States branch or agency, such commercial banking institution in each case to be duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (ii) is, and as long as it is a Bank Lender will be, described in clause (b) of the definition of "Exempt Lender"; (iii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender with Internal Revenue Service Forms 4224 or any successor forms thereto with respect to each fiscal year of such Bank Lender during which it holds Bank Equipment Notes together with such other forms or documentation as may be necessary, to establish available exemptions from Taxes imposed by the United States on payments under any Operative Document, such Forms and other forms or documentation to be provided on or before the date on which it becomes a Bank Lender and from time to time thereafter on a timely basis so that such Forms or other forms or documentation are effective for all periods during which it is a Bank Lender; (iv) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for

United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (v) will promptly notify the Lessee, the Owner Participant and the Loan Trustee if any such Forms or other forms or documentation are or become inaccurate; and (vi) has full power, authority and legal right to execute, deliver and carry out the terms of each of the Operative Documents to which it is or will be a party or by which it is or will be bound; or

(B) such Bank Lender (i) is, and as long as it is a Bank Lender will be, a commercial banking institution duly organized, validly existing and in good standing under the laws of the United States of America or any state thereof or the District of Columbia; (ii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender from time to time on a timely basis with any other forms or documentation as may be necessary to establish available exemptions from the withholding of Taxes imposed by the United States on payments under the Operative Documents; (iii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (iv) will promptly notify the Lessee, the Owner Participant

and the Loan Trustee if any of such Certificates, statements, forms or documentation is or becomes inaccurate; and (v) has full power, authority and legal right to execute, deliver and carry out the terms of each of the Operative Documents to which it is or will be a party or by which it is or will be bound; or

(C) such Bank Lender (i) is, and as long as it is a Bank Lender will be, a commercial banking institution duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (ii) is, and as long as it is a Bank Lender will be, in the absence of a change in applicable law after the date it acquires its Bank Equipment Notes, a Treaty Lender; (iii) shall provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender with valid executed copies of Internal Revenue Service Forms 1001 or any successor forms thereto covering all amounts receivable by it under the Operative Documents, together with such other forms or documentation as may be necessary, to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such Forms 1001 and other forms and documentation to be provided on or before the date on which it becomes a Bank Lender and from time to time thereafter on a timely basis so that such Forms or other forms or documentation are effective for all periods during which it is a Bank Lender; (iv) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (v) will promptly notify the Lessee, the Owner Participant

and the Loan Trustee if any such Certificates, Forms or other forms or documentation are or become inaccurate; and (vi) has full power, authority and legal right to execute, deliver and carry out the terms of the Operative Documents to which it is or will be a party or by which it is or will be bound;

(iv) such Bank Lender will not directly or indirectly create, incur, assume or suffer to exist any Lender Liens on or against any part of the Indenture Estate or the Trust Estate arising out of any act or omission of or claim against such Bank Lender, and each Bank Lender severally agrees that it will, at its own cost and expense, promptly take such action as may be necessary to discharge and satisfy in full any such Lender Lien; and each Bank Lender severally hereby agrees to indemnify, protect, defend and hold harmless Lessee, the Owner Participant, the Owner Trustee, the Loan Trustee and any other Bank Lender against Claims (as defined in Section 7(b) of the Participation Agreement) in any way resulting from or arising out of a breach by such Bank Lender of its obligations under this Section 10(d)(iv);

(v) such Bank Lender will not impose, directly or indirectly, any lifting charge, cable charge, remittance charge, or any other charge or fee on any transfer of funds to, through or by such Bank Lender or the Loan Trustee pursuant to any Operative Document; and

(vi) such Bank Lender is acting and will act for its own account and not as a conduit or agent for any other Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of this Refunding Agreement.

(e) Except to the extent provided in Section 14(b) of this Refunding Agreement, each Bank Lender may sell, assign, pledge or otherwise transfer all or any of its Bank Equipment Notes to a Permitted Transferee (and only to a Permitted Transferee), provided that no Bank Lender shall grant participations (any such participation, a "Participation") in any of its Bank Equipment Notes except in accordance with Section 10(f) hereof and provided, further, that, except in connection with a transfer pursuant to Section 14(b) of this Refunding Agreement, (i) any Permitted Transferee to which a Bank Lender sells, transfers or as-

signs all or any of its Bank Equipment Notes (any such Permitted Transferee, an "Assignee") delivers a certificate to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee in form and substance satisfactory to the Lessee setting forth representations and warranties comparable to those set forth in Section 10(d) hereof appropriate to such Assignee, and an agreement by such Assignee in form and substance satisfactory to the Lessee to be bound by the terms relating to the Bank Lenders under the Operative Documents, no later than the effective date of such transfer, (ii) the Bank Lender effecting such transfer provides to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee notice, setting forth the name and address of such Assignee and identifies those of such Bank Lender's Bank Equipment Notes being sold, transferred or assigned to such Assignee, no later than the effective date of such transfer, (iii) such transfer complies with Section 2.04 of the Indenture and (iv) such Assignee represents and warrants to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee that, immediately after giving effect to such transfer, such Assignee shall not be entitled to indemnification for any amounts described in Section 14(a) of this Refunding Agreement or Section 7(c) of the Participation Agreement and shall not become, by reason of any Regulatory Change then effective or likely in its best judgment to become effective, entitled to any such amount described in Section 14(a) of this Refunding Agreement or Section 7(c) of the Participation Agreement. Each Bank Lender hereby agrees that (A) any such sale, assignment, pledge, transfer or Participation, and any offer to make any such sale, assignment, pledge, transfer or Participation, shall be made in accordance with this Section 10 and with all applicable laws, including without limitation the Securities Act, the Trust Indenture Act, and any other applicable laws relating to the transfers of similar interests; (B) any such sale, assignment, pledge, transfer or Participation, and any offer to make any such sale, assignment, pledge, transfer or Participation, prior to the first anniversary of the Refunding Date shall be made only to a Permitted Transferee that is a Treaty Lender and in compliance with Regulation S under the Securities Act; and (C) no such sale, assignment, pledge, transfer or Participation shall be made under circumstances that require registration under the Securities Act or qualification of an indenture under the Trust Indenture Act.

Upon any such Assignment, the Owner Trustee, the Loan Trustee, the Owner Participant and/or the Lessee shall be entitled to receive from the assigning Bank Lender or any

other party effecting such assignment the reasonable expenses of the Owner Trustee, the Loan Trustee, the Owner Participant and the Lessee incurred in effecting such Assignment. Upon any such Assignment, such Assignee shall be deemed a party to this Agreement and any other Operative Document to which the Initial Bank Lender was a party.

(f) A Bank Lender may sell or agree to sell to one or more other Persons that is a Permitted Transferee a Participation in all or any of its Bank Equipment Notes in accordance with Section 10(e) hereof, but no such participant shall have any other rights or benefits as against the Owner Trustee, the Lessee, the Owner Participant or the Indenture Estate or Trust Estate under any Operative Document. All amounts payable by the Lessee to any Bank Lender under Section 14(a) of this Refunding Agreement or Section 7(b) or 7(c) of the Participation Agreement shall be determined as if such Bank Lender had not sold or agreed to sell any Participation in its Bank Equipment Notes. Notwithstanding any such Participation, (i) such Bank Lender's obligations under the Operative Documents shall remain unchanged, (ii) such Bank Lender shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (iii) the other parties to this Refunding Agreement, the Participation Agreement and the other Operative Documents shall continue to deal solely and directly with such Bank Lender in connection with such Bank Lender's Bank Equipment Notes and such Bank Lender's rights and obligations under the Operative Documents. In no event shall any Bank Lender that sells a Participation be obligated to the participant under the participation agreement governing the Participation to take or refrain from taking any action hereunder or under any of the Operative Documents except that such Bank Lender may agree in such participation agreement that it will not, without the consent of the participant, agree to any of the matters specified for each Bank Lender to approve in Sections 11.02 and 11.06 of the Indenture; and such Bank Lender shall be solely responsible for any withholding or other taxes and any filing or reporting requirements relating to such Participation and shall hold the Lessee and the Loan Trustee harmless against the same.

(g) The Pass Through Trustee represents, warrants and covenants that:

(1) the Pass Through Trustee is a national banking association duly organized and validly existing in good standing under the laws of the United States of

America, and has the full corporate power, authority and legal right under the laws of the State of Connecticut and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of the Pass Through Trust Documents and this Agreement and to perform its obligations under this Agreement, the Pass Through Trust Documents and the Participation Agreement;

(2) each of the Pass Through Trust Documents and this Agreement has been or will have been duly authorized, executed and delivered by the Pass Through Trustee; this Agreement, each of the Pass Through Trust Documents and the Participation Agreement constitute or will constitute the legal, valid and binding obligations of the Pass Through Trustee enforceable against it in accordance with their respective terms;

(3) none of the execution, delivery and performance by the Pass Through Trustee of each of the Pass Through Trust Documents, this Agreement and the Participation Agreement, the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to this Agreement, and the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents, contravene any law, rule or regulation of the State of Connecticut or any United States governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers or any judgment or order applicable to or binding on the Pass Through Trustee and do not contravene or result in any breach of, or constitute a default under, the Pass Through Trustee's Articles of Association or By-Laws or any agreement or instrument to which the Pass Through Trustee is a party or by which it or any of its properties may be bound;

(4) neither the execution and delivery by the Pass Through Trustee of any of the Pass Through Trust Documents or this Agreement nor the consummation by the Pass Through Trustee of any of the transactions contemplated hereby or thereby or by the Participation Agreement requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action with respect to, any Connecticut governmental authority or agency or any Federal governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers;

(5) there are no Taxes payable by the Pass Through Trustee imposed by the State of Connecticut or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Pass Through Trustee of this Agreement, any of the Pass Through Trust Documents or the Participation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents), and there are no Taxes payable by the Pass Through Trustee imposed by the State of Connecticut or any political subdivision thereof in connection with the acquisition, possession or ownership by the Pass Through Trustee of any of the Equipment Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents) and, assuming that the trusts created by the Pass Through Trust Supplements will not be taxable for Federal income tax purposes as corporations, but, rather, each will be characterized as a grantor trust under subpart E, Part I of Subchapter J of the Code, such trusts will not be subject to any Taxes imposed by the State of Connecticut or any political subdivision thereof;

(6) there are no Taxes payable by the Pass Through Trustee imposed by the Commonwealth of Massachusetts or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Pass Through Trustee of this Agreement, any of the Pass Through Trust Documents or the Participation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents), and there are no Taxes payable by the Pass Through Trustee imposed by the Commonwealth of Massachusetts or any political subdivision thereof in connection with the acquisition, possession or ownership by the Pass Through Trustee of any of the Equipment Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the

Pass Through Trust Documents) and, assuming that the trusts created by the Pass Through Trust Supplements will not be taxable for federal income tax purposes as corporations, but, rather, each will be characterized as a grantor trust under subpart E, Part I of Subchapter J of the Code, such trusts will not be subject to any Taxes imposed by the Commonwealth of Massachusetts or any political subdivision thereof;

(7) there are no pending or threatened actions or proceedings against the Pass Through Trustee before any court or administrative agency which individually or in the aggregate, if determined adversely to it, would materially adversely affect the ability of the Pass Through Trustee to perform its obligations under this Agreement, the Participation Agreement or any Pass Through Trust Document;

(8) except for the issue and sale of the Pass Through Certificates contemplated hereby, the Pass Through Trustee has not directly or indirectly offered any Pass Through Equipment Note for sale to any Person or solicited any offer to acquire any Equipment Notes from any Person, nor has the Pass Through Trustee authorized anyone to act on its behalf to offer directly or indirectly any Equipment Note for sale to any Person, or to solicit any offer to acquire any Equipment Note from any Person; and the Pass Through Trustee is not in default under any Pass Through Trust Document; and

(9) the Pass Through Trustee is not directly or indirectly controlling, controlled by or under common control with the Owner Participant, the Owner Trustee, any Underwriter or the Lessee.

(h) The Original Loan Participant represents and warrants

that:

(1) as of the Refunding Date it is the owner of an Original Loan Certificate in the aggregate principal amount of \$55,200,000.00 free and clear of Liens attributable to it; and

(2) this Agreement has been duly authorized, executed and delivered by the Original Loan Participant and constitutes the legal, valid and binding obligation of the Original Loan Participant, enforceable against the Original Loan Participant in accordance with its

terms, except as such enforceability may be limited by application of bankruptcy, insolvency, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity.

(i) The Indenture Trustee represents and warrants that this Agreement has been duly authorized, executed and delivered by it.

SECTION 11. NOTICES. Unless otherwise specifically provided herein, all notices required or permitted by the terms of this Agreement shall be in English and in writing, and any such notice shall become effective upon being deposited in the United States mail, with proper postage for first-class registered or certified mail prepaid, or when delivered personally or, if promptly confirmed by mail as provided above, when dispatched by telegram, telex, facsimile or other written telecommunication, addressed if to the Lessee, the Owner Participant, the Owner Trustee, the Initial Bank Lender, the Pass Through Trustee, the Original Loan Participant, the Indenture Trustee or the Loan Trustee, at their respective addresses or telex or facsimile numbers set forth below the signatures of such parties at the foot of this Agreement. Unless and until otherwise directed by the Initial Bank Lender by notice to the Owner Trustee, the Loan Trustee and the Lessee, any payments required to be made to the Initial Bank Lender shall be made to the bank account specified for such Initial Bank Lender in Schedule I to this Refunding Agreement.

SECTION 12. EXPENSES. (a) Except as provided in paragraph (c) below, and subject to paragraph (b) below, and without duplication of any amounts payable under Section 9(a) of the Participation Agreement, all of the initial out-of-pocket costs, fees and expenses incurred by the Indenture Trustee, the Owner Trustee, the Initial Bank Lender, the Owner Participant, the Pass Through Trustee, the Loan Trustee and the Original Loan Participant (in each case, to the extent set forth below) in connection with the transactions contemplated by this Agreement, the other Operative Documents, the Pass Through Trust Supplements, and the Underwriting Agreement shall be paid promptly by the Owner Participant including, without limitation,

(1) the reasonable fees, expenses and disbursements allocable to the Equipment Notes issued under the Indenture of (A) Bingham, Dana & Gould, special counsel for the Pass Through Trustee and the Loan Trustee, (B) Potter Anderson & Corroon, special counsel for the

Owner Trustee, (C) Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, (D) Shearman & Sterling, special counsel for the Underwriters of the Pass Through Certificates in an amount separately agreed, (E) Debevoise & Plimpton, special counsel for the Lessee in an amount separately agreed and (F) Vedder, Price, Kaufman, Kammholz & Day, special counsel to the Original Loan Participant;

(2) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant;

(3) the reasonable fees, expenses and disbursements of Coudert Brothers, special counsel for the Initial Bank Lender; and

(4) all other reasonable expenses incurred in connection with such actions and transactions, including, without limitation, the fees, expenses and/or commissions payable to each of the Underwriters in connection with the offering and sale of the Pass Through Certificates, the commitment fee payable to the Initial Bank Lender in the amount separately agreed, printing and document production or reproduction expenses and its proportionate share of all fees, taxes and other charges payable in connection with the offering and sale of the Pass Through Certificates and with the recording or filing of any instruments and financing statements required to be recorded or filed in connection with the transactions contemplated by this Section 12, in each case allocable to the Equipment Notes issued under the Indenture;

provided that the aggregate amount of the costs, fees and expenses payable by the Owner Participant pursuant to this Section 12, together with the costs, fees and expenses payable by the Owner Participant pursuant to Section 12 of the Refunding Agreements (AA 1995 PTC Series AB) and (AA 1995 PTC Series AC) (the "Other Refunding Agreements"), each dated as of the date hereof, shall not be in excess of 1% of the aggregate principal amount of the equipment notes issued on the Refunding Date pursuant to the Indenture and the Other Indentures. To the extent, if any, that the costs, fees and expenses referred to in this Section 12 and Section 12 of the Other Refunding Agreements shall be in excess of 1% of the aggregate principal amount of the equipment notes issued on the Refunding Date pursuant to the Indenture and

the Other Indentures, such costs, fees and expenses shall be paid by the Lessee.

Notwithstanding the foregoing, the Lessee shall pay, in those amounts separately agreed, the fees, expenses and disbursements of Debevoise & Plimpton, special counsel for the Lessee, and the fees and expenses of Babcock & Brown, the Lessee's financial advisor.

(b) The Owner Participant prior to the payment thereof will send copies of any invoices received by it with respect to any of the foregoing fees, expenses and disbursements constituting transaction costs to the Lessee for the Lessee's review and approval, such approval not to be unreasonably withheld or delayed.

(c) In the event that the transactions contemplated by this Section 12 and the agreements referred to herein are not consummated, the Lessee shall, except as provided in the Underwriting Agreement with regard to fees and expenses of the Underwriters, bear and pay all costs, expenses and fees referred to in this Section 12; provided that: (i) if the transaction fails to be consummated as a result of the failure of the Owner Participant to act in good faith in consummating the transactions, or otherwise comply with the terms hereof, the Owner Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid; and (ii) if the transaction fails to be consummated as a result of the failure of the Initial Bank Lender to act in good faith in consummating the transactions, or otherwise comply with the terms hereof, the Initial Bank Lender shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid.

SECTION 13. TERMS OF SWAP TRANSACTION. (a) Subject to Section 2(c), the terms of the interest rate swap transaction to be entered into by the Initial Bank Lender are described in Exhibit N hereto, as such Exhibit N may be modified to reflect any changes in dates and the actual Fixed Rate applicable to such swap transaction as determined pursuant to Section 2 of this Refunding Agreement. Such Exhibit N shall constitute a part hereof as if the terms thereof were set forth herein in full.

(b) Each Bank Lender agrees that, upon notice from the Owner Trustee or the Lessee or upon otherwise learning of the possibility of the occurrence of (i) any of the events described in Section 6.01 of the Indenture or (ii) an acceleration or a redemption (or purchase in lieu of redemption) of the Bank Equipment Notes, such Bank Lender (or, if the Initial Bank Lender is the sole counterparty to the Actual Swap, the Initial Bank Lender) shall promptly (A) to the extent permitted by applicable law, notify the Lessee and the Owner Trustee of such possibility and (B) thereafter provide the Lessee and the Owner Trustee with a non-binding good faith estimate of the Break Funding Amount.

(c) In the event any of the Bank Equipment Notes are redeemed (or purchased in lieu of redemption) pursuant to Section 6.01 of the Indenture, the Owner Trustee hereby directs each Bank Lender, and each Bank Lender hereby agrees, to pay directly to the Lessee an amount equal to any Swap Breakage Gain. In the event any of the Bank Equipment Notes are accelerated or redeemed (or purchased in lieu of redemption) as a result of an Indenture Event of Default that also constitutes a Lease Event of Default that has occurred and is continuing, the Owner Trustee hereby directs each Bank Lender that is a swap counterparty to the Actual Swap, and each such Bank Lender hereby agrees, to pay directly to the Lessee an amount equal to any Swap Breakage Gain; provided that no Bank Lender shall be required to make any such payment to the Lessee pursuant to this sentence unless the Bank Equipment Notes held by such Bank Lender that are subject to such acceleration or redemption (or purchase in lieu of redemption) shall have been paid in full. Notwithstanding the foregoing, in the event any of the Bank Equipment Notes are accelerated or redeemed (or purchased in lieu of redemption) as a result of an Indenture Event of Default that does not also constitute a Lease Event of Default, the Owner Trustee hereby directs each Bank Lender that is a swap counterparty to the Actual Swap, and each such Bank Lender hereby agrees, to pay directly to the Owner Trustee for distribution pursuant to the Trust Agreement, an amount equal to any Swap Breakage Gain; provided that no Bank Lender shall be required to make any such payment to the Owner Trustee pursuant to this sentence unless the Bank Equipment Notes held by such Bank Lender that are subject to such acceleration or redemption (or purchase in lieu of redemption) shall have been paid in full.

SECTION 14. ADDITIONAL COSTS. (a) (i) Additional Costs.  
If a Regulatory Change with respect to the

Initial Bank Lender or any Permitted Transferee shall (A) impose on such Bank Lender any reserve, special deposit or any similar requirement with respect to the loan evidenced by its Bank Equipment Notes or any capital adequacy requirement requiring the maintenance by such Bank Lender of additional capital with respect to the loan evidenced by its Bank Equipment Notes, or (B) change the basis of taxation in the jurisdictions in which such Bank Lender has either its principal office or the lending office through which it is participating in the Bank Equipment Notes (for such Bank Lender, its "Lending Office") of any amounts payable to such Bank Lender under the Indenture (other than any change with respect to (1) Taxes based on or imposed on or with respect to or measured by the capital, receipts or franchises of such Bank Lender or the overall net or gross income of such Bank Lender or such Lending Office, or (2) Taxes imposed on such Bank Lender or such Lending Office in lieu of or as a direct substitute for any Tax described in the preceding clause (1)) and as a result of any of the foregoing there shall be any material increase in the actual cost to such Bank Lender of making, funding or maintaining the loan evidenced by its Bank Equipment Notes or any material reduction in the amount receivable by such Bank Lender in respect thereof, in either case where such event does not arise from the gross negligence or willful misconduct of such Bank Lender, from its breach of any of its representations, warranties or covenants contained in any Operative Document or from its failure to comply with any such Regulatory Change (any such increase or reduction being referred to herein as an "Additional Cost"), then, upon demand made by such Bank Lender to the Owner Trustee, with a copy thereof to the Lessee, following the applicable Regulatory Change, the Owner Trustee shall pay directly to such Bank Lender from time to time, commencing within 15 days of the presentation by such Bank Lender of the certificate specified in the final sentence of the first paragraph of Section 14(a)(ii) hereof, an amount equal to the Additional Costs accruing from the date of delivery of such certificate. Notwithstanding any of the foregoing, the Owner Trustee's obligation to pay Additional Costs shall be limited to making such payments when and to the extent the Owner Trustee receives a corresponding payment of Supplemental Rent from the Lessee.

(ii) Notices, Mitigation and Determinations. Each Bank Lender will notify the Owner Trustee and the Lessee of any event occurring after the date of this Agreement (or, if later, after the date on which such Bank Lender purchased its Bank Equipment Notes) that will entitle such

Bank Lender to compensation under Section 14(a)(i) hereof or Section 7(c) of the Participation Agreement as promptly as practicable, but, in the case of Section 14(a)(i) hereof, in any event within 30 days after the enactment date of the relevant Regulatory Change. As a condition to a Bank Lender's receiving compensation pursuant to this Section 14(a)(i) or Section 7(c) of the Participation Agreement, each such Bank Lender shall use its best efforts to avoid the need for, or to reduce the amount of, such compensation, and such Bank Lender shall take all reasonable steps to so avoid the need for, or reduce the amount of, such compensation, including, without limitation, designating a different Lending Office of such Bank Lender (other than a Lending Office that would render such Bank Lender no longer a Treaty Lender or an Exempt Lender, as the case may be), for the Bank Equipment Notes; provided that such Bank Lender shall not be obligated to take any steps that will, in its reasonable opinion, impose any material loss, cost, expense or liability upon such Bank Lender. The affected Bank Lender shall furnish to the Owner Trustee and the Lessee (A) in the case of Section 14(a)(i) hereof, an opinion of counsel describing the Regulatory Change giving rise to the need for the payment of such compensation pursuant to Section 14(a)(i) hereof and (B) an Officer's Certificate describing in reasonable detail the facts giving rise to such Bank Lender's right to the payment of such compensation pursuant to, and the basis in reasonable detail of computing such compensation under, as applicable, this Section 14(a) or Section 7(c) of the Participation Agreement, including, without limitation, a description of the steps taken by such Bank Lender to avoid or mitigate the amount of any such compensation referred to in this Section 14(a) or Section 7(c) of the Participation Agreement and certifying that such Bank Lender has complied with its obligations under this Section 14(a) or Section 7(c) of the Participation Agreement.

Notwithstanding the foregoing provisions of this Section 14(a), in no event shall the Owner Trustee be required to make payments under this Section 14(a) in respect of any Regulatory Change proposed by any applicable governmental authority (including any branch of a legislature), central bank or comparable agency and pending as of the date of this Refunding Agreement or, in the case of any Bank Lender that is an Assignee pursuant to Section 10(e) hereof, pending as of the date of the transfer. In addition, the Owner Trustee shall not be required to make payments under this Section 14(a) to any Bank Lender if such Bank Lender's claim hereunder arises through circumstances peculiar to

such Bank Lender and which do not affect commercial banking institutions in the same jurisdiction generally. No Bank Lender shall seek payment with respect to Additional Costs hereunder if such Bank Lender is not also seeking payment for similar increased costs in other similarly situated transactions.

(b) Certain Transfers of Bank Equipment Notes. If any Bank Lender requests compensation for any amounts pursuant to Section 14(a) hereof or Section 7(c) of the Participation Agreement, the Owner Trustee shall, but only at the express direction of the Lessee (which direction the Lessee may, in its sole discretion, elect to give), require that such Bank Lender transfer its Bank Equipment Notes and all of its rights and obligations as a "Bank Lender" under its Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture to any Person or Persons (such Person or Persons being herein referred to as the "Replacement Lender(s)") identified by the Owner Trustee (as so directed by the Lessee) in a notice (the "Replacement Notice") to such Bank Lender specifying the date on which such transfer is requested to occur, the name(s) of the Replacement Lender(s) to which its interest in the Bank Equipment Notes is to be transferred and the portion thereof to be transferred to each, which notice shall be given not less than 15 Business Days prior to the date on which such transfer is to occur. Promptly after its receipt of any such notice from the Owner Trustee, unless such notice indicates that the Replacement Lender(s) do not desire an assignment of the Actual Swap, if any, or Swap Participation, if any, to which the affected Bank Lender is at such time a party, (x) if such affected Bank Lender is party to an Actual Swap, such affected Bank Lender shall ascertain whether its Swap Counterparty, if any, shall agree to an assignment of its Actual Swap by such Bank Lender to the proposed Replacement Lender(s) to the extent of their proposed respective interest in the Bank Equipment Notes and (y) if such affected Bank Lender is a party to a Swap Participation, such affected Bank Lender shall ascertain whether the Initial Bank Lender shall agree to extend the Swap Participation to the proposed Replacement Lender(s) to the extent of their proposed respective interest in the Bank Equipment Notes (the Initial Bank Lender hereby agreeing to take all commercially reasonable steps to accommodate such request). The affected Bank Lender shall promptly notify the Owner Trustee and the Lessee as to whether its Swap Counterparty shall accept such assignment to the Replacement Lender(s), or as to whether the Initial Bank Lender shall extend a Swap Participation to the Replacement Lender(s). On the date of the requested

relevant transfer, (x) the affected Bank Lender shall sell, assign and transfer to the Replacement Lender(s), and the Replacement Lender(s) shall acquire and assume from the affected Bank Lender, all of the rights and obligations of the affected Bank Lender as a "Bank Lender" under the Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture (and, if the affected Bank Lender has an Actual Swap or Swap Participation being assigned to such Replacement Lender, under such Actual Swap or Swap Participation) by executing and delivering an agreement in form and substance reasonably satisfactory to the Lessee to be bound by the terms of the Operative Documents and containing such amendments to the representations, warranties and agreements to be made by such Replacement Lender and the indemnities in favor of such Replacement Lender as the Lessee may agree (for purposes of this Section 14(b), collectively, the "Transferred Interest"), (y) the Lessee and/or the Replacement Lender(s) shall pay to the affected Bank Lender an amount equal to all principal, interest and other amounts then owing under this Agreement and the Indenture in respect of the Transferred Interest (and, unless the affected Bank Lender has an Actual Swap or Swap Participation being assigned to the Replacement Lender(s), plus an amount equal to any Swap Breakage Losses, or minus an amount equal to any Swap Breakage Gains, that would be payable by or to such Bank Lender if such Bank Lender's Bank Equipment Notes were being redeemed in full), and (z) the Lessee and/or the Replacement Lender(s) shall pay to the affected Bank Lender an amount equal to all reasonable costs or expenses incurred by such Bank Lender in connection with such transfer, whereupon the Replacement Lender(s) shall each become a "Bank Lender" for all purposes of this Agreement having, except as aforesaid, all the rights and obligations under this Agreement, the Indenture and the other Operative Documents of each "Bank Lender" holding their share of the Transferred Interest, and the obligations of the affected Bank Lender in respect of the Transferred Interest shall terminate. In the event the affected Bank Lender is a party to a Swap Participation and such Swap Participation is not being assigned to the Replacement Lender(s), the Initial Bank Lender agrees to terminate the Swap Transaction to the extent of such Swap Participation.

SECTION 15. PREFUNDING. (a) To enable the Original Loan Certificates to be redeemed on the Refunding Date in accordance with the terms of this Agreement and the Original Indenture, the Initial Bank Lender shall pay by no later than 2:00 P.M. on the Business Day next preceding the Refunding Date (the "Funding Date"), an amount equal to the

aggregate purchase price of the Bank Equipment Notes to be issued to it on the Refunding Date, to State Street Bank and Trust Company of Connecticut, National Association's account at State Street Bank and Trust Company, Boston, Massachusetts, ABA # 011-000-028, Account # 9900-3147, Attention: Lisa Guymont, Re: American Airlines AA 1995 PTC Series AA (the "Account"), the funds so paid by the Initial Bank Lender (the "Deposit") to be (x) held by State Street Bank and Trust Company of Connecticut, National Association ("State Street") in trust for the benefit of the Initial Bank Lender and (y) invested by State Street pursuant to Section 15(c) hereof; provided that, if the Refunding Date is delayed for any reason and the Lessee shall have given telephonic notice to the Initial Bank Lender no later than the close of business on the fourth Business Day next preceding the originally scheduled Funding Date, the Initial Bank Lender shall not make the payment provided for in this Section 15(a) on the originally scheduled Funding Date, the Funding Date may be postponed to such later date (such date to be not later than July 31, 1995) as the Lessee shall designate in writing to the Initial Bank Lender, which later date shall be at least four Business Days following the date on which the Lessee delivers written notice designating the delayed Funding Date, and the payment by the Initial Bank Lender provided for in this Section 15(a) shall be made on such delayed Funding Date.

(b) The Lessee shall pay interest to the Initial Bank Lender on the amount of its Deposit for the period from and including the Funding Date to but excluding the earlier of (i) the Refunding Date or (ii) the date such Deposit is returned to the Initial Bank Lender. Such interest shall accrue on the amount of the Deposit at a rate per annum equal to 80 basis points plus the Initial Bank Lender's overnight cost of funds (or, if higher, 80 basis points plus the floating rate base then applicable to the Initial Bank Lender as floating rate payor under any then-applicable Swap), as certified by the Initial Bank Lender to the Lessee. Accrued interest on the Deposit shall be due and payable to the Initial Bank Lender on the earlier of the dates specified in clauses (i) and (ii) of the preceding sentence.

(c) The Deposit will be invested and reinvested in Permitted Investments (as defined below) by State Street at the sole direction, for the account and at the risk of the Lessee and any earnings on the investment of such Deposit will, on the Refunding Date or on the date such Deposit is returned to the Initial Bank Lender and following payment

by the Lessee to such Initial Bank Lender pursuant to clause (b) above, be paid over to the Lessee. Any directions of the Lessee to State Street hereunder may be given via telephone or facsimile. Funds paid by the Initial Bank Lender into the Account (exclusive of any earnings that are to be paid to the Lessee pursuant to the first sentence of this paragraph) will, at the direction of such Initial Bank Lender or its representative to State Street (i) be applied by State Street as provided in Section 1 hereof or (ii) if the refunding does not occur on any scheduled Refunding Date (or any postponed Refunding Date) and the Lessee has not given timely notice to the Initial Bank Lender of a postponed Funding Date in accordance with Section 15(a) above, be returned on (or, if instructed by the Lessee in writing, prior to) the Refunding Date (or such postponed Refunding Date) to the Initial Bank Lender. The Lessee shall reimburse the Account on demand of State Street or the Initial Bank Lender for any loss, cost or expense incurred as a result of any investment by State Street in accordance with the terms hereof.

(d) "Permitted Investments" means any investment in (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A-1 by Standard & Poor's Corporation or P-2 by Moody's Investors Service, Inc., (iii) time deposits with, including certificates of deposit issued by, any bank or trust company the senior debt securities of which, or if the bank or trust company is owned by a holding company the senior debt securities of such holding company, are rated at least A- by Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., or A3 by Moody's Investors Service, Inc., (iv) repurchase agreements with respect to securities described in clause (i) above entered into with an office of a bank or trust company meeting the criteria specified in clause (iii) above or (v) investments in money market programs of investment companies registered under the Investment Company Act of 1940, as amended, provided that such money market programs invested only in instruments of the types described above in clauses (i) through (iii).

(e) The duties of State Street under this Section 15 are limited to those specifically set forth in this Section 15. State Street shall hold the funds in the Account in trust for the Initial Bank Lender and shall give such funds the same degree of care it gives other similar property held in such a capacity. State Street shall have no responsibility to determine the authenticity or validity

of any notice, instruction, request or other document delivered to it and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and purporting to have been given by the proper party or parties. State Street's only duties and responsibilities hereunder shall be to hold and dispose of the funds in the Account in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, State Street shall have no responsibility for any loss allocable to the Account from any investment made by State Street in accordance with this Section 15. Upon making payment of the Account in the manner provided in this Agreement, State Street shall have no further liability hereunder for such paid amount so delivered.

SECTION 16. MISCELLANEOUS. (a) Except as otherwise provided for herein, the representations, warranties and agreements herein of the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee, the Owner Participant, the Original Loan Participant, the Initial Bank Lender, the Bank Lenders and the Pass Through Trustee, and the Lessee's, the Owner Trustee's, the Loan Trustee's, the Owner Participant's, the Initial Bank Lender's, the Bank Lenders' and the Pass Through Trustee's obligations under any and all thereof, shall survive the expiration or other termination of this Agreement and the other agreements referred to herein.

(b) Neither the Owner Participant nor the Pass Through Trustee shall have any obligation or duty to the Lessee with respect to the transactions contemplated hereby except those obligations or duties expressly set forth herein, in the Participation Agreement, or, in the case of the Owner Participant, in the Tax Indemnity Agreement, or, in the case of the Pass Through Trustee, in the Pass Through Trust Documents.

(c) The parties hereto agree that all Operative Documents hitherto designated "(AA 1992 AF-1)" are hereby redesignated "(AA 1995 PTC Series AA)".

(d) Neither the Pass Through Certificates nor any Equipment Note shall be registered on any securities exchange without the consent of the Lessee.

(e) This Agreement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Agreement including a signature page executed by

each of the parties hereto shall be an original counterpart of this Agreement, but all of such counterparts together shall constitute one instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought or (in the case of such enforcement against the Bank Lenders) by the holders of a majority in principal amount of Outstanding Bank Equipment Notes; and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to the Loan Trustee. The index preceding this Agreement and the headings of the various Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Lessee and, subject to the terms of the Participation Agreement, its successors and permitted assigns, the Original Loan Participants, the Initial Bank Lender and, subject to the terms of Sections 10(e) and 14, its permitted successors and assigns as Bank Lenders hereunder and under the Indenture, the Pass Through Trustee and its successors as Pass Through Trustee (and any additional trustee appointed) under any of the Pass Through Trust Documents, the Loan Trustee and its successors as Loan Trustee (and any additional Loan Trustee appointed) under the Indenture, the Indenture Trustee, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement, and the Owner Participant and, subject to the provisions of the Participation Agreement, its successors and permitted assigns. No purchaser or holder of any Equipment Notes shall be deemed to be a successor or assign of any of the Original Loan Participants. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_  
Name:  
Title:  
  
Address: 4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155  
Attention: Vice President  
and Treasurer  
Facsimile: (817) 967-4318  
Telephone: (817) 963-1234

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T  
CREDIT CORPORATION),  
as Owner Participant

By \_\_\_\_\_  
Name:  
Title:  
  
Address: 44 Whippany Road  
Morristown, New Jersey 07960  
Attention: \_\_\_\_\_  
Facsimile: (201) 397-4365  
Telephone: (201) 397-3000

WILMINGTON TRUST COMPANY,  
not in its individual capacity, except  
as otherwise provided herein, but  
solely as Owner Trustee

By \_\_\_\_\_

Name:

Title:

Address: Rodney Square North  
1100 N. Market Street  
Wilmington, Delaware 19890-0001

Attention: Corporate Trust  
Administration  
(AA 1995 PTC Series AA)

Facsimile: (302) 651-8882

Telephone: (302) 651-1000

STATE STREET BANK AND TRUST COMPANY OF  
CONNECTICUT, NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as otherwise expressly  
provided herein, but solely as Loan  
Trustee

By \_\_\_\_\_

Name:

Title:

Address: c/o State Street Bank and Trust  
Company  
Two International Place--4th Floor  
Boston, Massachusetts 02110

Attention: Corporate Trust Department

Facsimile: (617) 664-5371

Telephone: (617) 664-5610

TRUST COMPANY BANK,  
as Original Loan Participant

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
Telephone: \_\_\_\_\_

THE MITSUBISHI TRUST AND BANKING CORPORATION,  
NEW YORK BRANCH, as Initial Bank Lender

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Address: 520 Madison Avenue  
New York, New York 10022  
Attention: Vice President Special Finance  
Facsimile: (212) 486-0970  
Telephone: (212) 858-7700

STATE STREET BANK AND TRUST COMPANY OF  
CONNECTICUT, NATIONAL ASSOCIATION,  
as Pass Through Trustee under the Pass  
Through Trust Agreement and each of one or  
more separate Pass Through Trust  
Agreements

By \_\_\_\_\_

Name:

Title:

Address: c/o State Street Bank and Trust  
Company  
Two International Place--4th Floor  
Boston, Massachusetts 02110  
Attention: Corporate Trust Department  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION,  
as Indenture Trustee

By \_\_\_\_\_

Name:

Title:

Address: Corporate Trust Lease Administration  
600 Peachtree St., Suite 900  
Atlanta, GA 30308  
Facsimile: (404) 607-6362  
Telephone: (404) 607-4681

GUARANTEE  
(AA 1995 PTC Series \_\_\_)

GUARANTEE, dated as of \_\_\_\_\_, 1995 by State Street Bank and Trust Company, a Massachusetts corporation (the "GUARANTOR") to and for the benefit of each person listed on Schedule I hereto (collectively, together with their successors and permitted assigns, the "BENEFICIARIES" and, individually, a "BENEFICIARY").

WITNESSETH:

WHEREAS, State Street Bank and Trust Company of Connecticut, National Association, a wholly-owned subsidiary of the Guarantor (the "SUBSIDIARY") wishes to act as trustee pursuant to the agreements listed on Schedule II hereto (as amended, modified or supplemented from time to time, the "AGREEMENTS").

WHEREAS, the Beneficiaries are willing to have the Subsidiary act in such capacity under the Agreements provided that the Guarantor executes and delivers this Guarantee;

WHEREAS, the Guarantor has determined that the execution and delivery by it of this Guarantee is necessary in order to conduct, promote and attain the business of the Subsidiary and the Guarantor;

NOW, THEREFORE, the Guarantor hereby agrees with and for the benefit of the Beneficiaries as follows:

1. GUARANTEE.

(a) The Guarantor hereby unconditionally and irrevocably guarantees to each of the Beneficiaries the prompt and complete payment by the Subsidiary when due of, and the faithful performance of, and compliance with, all payment obligations of the Subsidiary under the Agreements and each other document referred to therein to which the Subsidiary is a party or by which the Subsidiary is bound (collectively, the "RELEVANT DOCUMENTS"), in accordance with the terms thereof and the timely performance of and compliance with all other obligations of the Subsidiary thereunder (such payment and other obligations, the "OBLIGATIONS"). In no event, however, shall the agreement contained herein be construed to constitute a guarantee of any amount due with respect to acts or events occurring after such time, if any, that the Subsidiary ceases to be a party to the Relevant Documents.

(b) Until such time as all of the Obligations have been paid and performed in full, no payment or payments made by the Subsidiary, the Guarantor, any other guarantor or any other person or received or collected by any Beneficiary from the Subsidiary, the Guarantor, any other guarantor or any other person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder except as to the Beneficiary receiving such payment and solely by and to the extent of the net amount thereof actually received and retained by such Beneficiary, and subject in each case to the other provisions of this Guarantee (including but not limited to Paragraph 3 hereof). In no event shall any such payment or payments be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder for the payment and performance in full of all of the Obligations.

(c) If for any reason any Obligations to be performed or observed by the Subsidiary shall not be observed or performed, or if any amount payable by the Subsidiary referred to in Section 1(a) hereof shall not be paid when due and payable, the Guarantor shall promptly perform or observe or cause to be performed or observed each such Obligation or undertaking and shall forthwith pay such amount at the place and to the person or entity entitled thereto pursuant to the Relevant Documents.

2. Amendments etc., with respect to the Obligations: Waiver of Rights. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor and without notice to or further assent by the Guarantor, any demand for payment or performance of any of the Obligations made by any Beneficiary may be rescinded by such party and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by any Beneficiary and any Relevant Document and/or any collateral security document or other guarantee or document in connection therewith, may be amended, modified, supplemented or terminated, in whole or in part, as the parties thereto may deem advisable from time to time, and any right, title or interest in or to any Relevant Documents, or the Aircraft (as defined in the Agreement), or any collateral security, guarantee or right of offset at any time held by any Beneficiary for the payment or performance of the Obligations may be sold, exchanged, waived, surrendered, released, transferred or otherwise disposed of. Without limiting the foregoing, the Guarantor unconditionally waives, to the fullest extent permitted by law, (a) notices of the creation of any Obligation under the Relevant Documents or any notice of or proof of reliance by any of the Beneficiaries upon this Guarantee or acceptance of this Guarantee (the Obligations shall conclusively be deemed to have been created, contracted, incurred or renewed, extended, amended or waived in reliance upon this Guarantee and all dealings between the Subsidiary or the Guarantor and any Beneficiary shall be conclusively presumed to have been had or consummated in reliance upon this Guarantee), (b) all notices that may be required by statute, rule of law or

otherwise, now or hereafter in effect, to preserve intact any rights of any of the Beneficiaries against the Guarantor, including, without limitation, any demand, presentment and protest, proof of notice of nonpayment under any Relevant Document, and notice of default or any failure on the part of the Subsidiary to perform or comply with any Obligation, (c) any right to the enforcement, assertion or exercise by any of the Beneficiaries of any right, power, privilege or remedy conferred herein or in any Relevant Document or otherwise, (d) any requirement of promptness or diligence on the part of any of the Beneficiaries, (e) any notice of the sale, exchange, waiver, surrender, release, transfer or other disposition of any right, title or interest in or to any Relevant Document, or the Aircraft (as defined in the Agreement), or any collateral security, guarantee or right of offset at any time held by any Beneficiary for the payment or performance of the Obligations, or (f) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety, or that might otherwise limit recourse against the Guarantor.

3. Guarantee Absolute and Unconditional. The Guarantor understands and agrees that this Guarantee shall be construed as a primary obligation of the Guarantor and is a present, continuing, absolute and unconditional guarantee of payment and performance (and not merely of collection) without regard to any defense, set-off or counterclaim (other than a defense of payment or performance in full) that may at any time be available to or be asserted by the Subsidiary against any Beneficiary. When pursuing its rights and remedies hereunder against the Guarantor, any Beneficiary may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Subsidiary or any other person or entity or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by any Beneficiary to pursue such other rights or remedies or to collect any payments from the Subsidiary or any such other person or entity or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Subsidiary or any such other person or entity or any such such collateral security, guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the right and remedies, whether express, implied or available as a matter of law, of any Beneficiary against the Guarantor. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, in whole or in part, of any of the sums due to any of the Beneficiaries pursuant to the terms of any Relevant Document is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, reorganization, arrangement, adjustment, composition, dissolution, liquidation, or the like, of the Subsidiary or the Guarantor, or upon or as a result of, the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Subsidiary or the Guarantor or any substantial part of their respective property, or otherwise, all as though such payment had not been made notwithstanding any termination of this Guarantee or any other Relevant Document. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor and the successors and assigns thereof, and shall inure to the benefit of the Beneficiaries, and their respective successors, transferees and assigns, until all of the Obligations and the obligations of the Guarantor under this Agreement shall have been satisfied by payment and performance in full.

4. Representations and Warranties. The Guarantor hereby represents and warrants that:

(a) the Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) the Guarantor has all requisite power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guarantee, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guarantee;

(c) this Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally;

(d) the execution, delivery and acceptance of this Guarantee, and the performance by the Guarantor of its obligations hereunder, do not and will not violate or result in a breach of or default under (or any event that with notice or the passage of time, or both, would constitute such a violation, breach or default) the respective certificate of incorporation, by-laws or other corporate organizational documents of the Guarantor or the Subsidiary, any Relevant Document or other agreement, instrument or contractual obligation to which the Guarantor or the subsidiary is party or by which either of them or any of their respective properties are bound, or any law, statute, rule, regulation, judgment, order or decree applicable to the Guarantor or the Subsidiary;

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other entity or person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guarantee;

(f) the Guarantor is a bank with a combined capital and surplus of at least \$500,000,000, as determined in accordance with generally accepted accounting principles; and

(g) the Guarantor owns all of the capital stock of the Subsidiary.

5. Indemnity. The Guarantor hereby agrees to pay all reasonable costs and expenses (including, without limitation, counsel fees) of all parties to the Relevant Documents incurred in connection with this Guarantee and the transactions contemplated hereby, including without limitation the execution, delivery and performance of this

Guarantee. The Guarantor agrees that American Airlines, Inc. ("American") shall not, in connection with this Guarantee and the transactions contemplated hereby, suffer or incur any loss, cost, expense or liability that American would not have suffered or incurred had such transactions not occurred, including without limitation any obligation to indemnify any other party to the Relevant Documents for any loss, cost or expense (including, without limitation, counsel fees) arising in connection with this Guarantee and the transactions contemplated hereby. The Guarantor further agrees to indemnify and hold harmless American from and against any loss, cost, action, suit, damage, expense or other liability arising out of or in connection with this Guarantee and the transactionc contemplated hereby.

6 Miscellaneous. None of the terms or provisions of this Guarantee may be waived, amended or supplemented or otherwise modified except by a written instrument executed by the Guarantor and the Beneficiaries. This Guarantee shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of the Beneficiaries and their respective successors and assigns. THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS. All notices, requests and demands to or upon the Guarantor or any Beneficiary to be effective shall be in writing or by telecopy and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or, in the case of mail, three days after deposit in the postal system, first class postage pre-paid, or, in the case of telecopy notice, when sent, addressed to (a) in the case of the Guarantor, 225 Franklin Street, Boston, MA 02110; Telecopy No. (617) 654-4266, and (b) in the case of any Beneficiary, the address provided for such party in or pursuant to the Relevant Documents or at such other address as such person may provide to the Guarantor in writing.

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be duly executed and delivered by its duly authorized officer as of the day and the year first above written.

STATE STREET BANK AND TRUST COMPANY

BY:  
Name:  
Title:

## SCHEDULE I

American Airlines, Inc.

AT&T Credit Holdings, Inc.

Wilmington Trust Company, as Owner Trustee

Each person that shall from time to time be a holder of an Equipment Note (as defined in the Amended and Restated Trust Indenture and Security Agreement listed on Schedule II to this Guarantee)

## SCHEDULE II

Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series \_\_\_\_), dated as of \_\_\_\_\_, 1995, between Wilmington Trust Company, as Owner Trustee (the "Owner Trustte") and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, as such Amended and Restated Trust Indenture and Security Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms thereof.

Trust Indenture and Security Agreement (AA 1992 AF-[ ]), dated as of \_\_\_\_\_, 1992 between the Owner Trustee and State Street Bank and Trust Company of Connecticut, National Association, as successor to NationsBank of Georgia, National Association, as Indenture Trustee.

[Included as Exhibit 4(b)(13)]

[Included as Exhibit 4(e)(14)]

[Letterhead of Debevoise &amp; Plimpton]

\_\_\_\_\_, 1995

To Each of the Addressees Listed  
in Schedule A Attached Hereto

American Airlines, Inc.  
(AA 1995 PTC Series [ ])

Ladies and Gentlemen:

We have acted as counsel to American Airlines, Inc., a Delaware corporation (the "Lessee"), in connection with the transactions contemplated by the Refunding Agreement (AA 1995 PTC Series [ ]), dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among the Lessee, Wilmington Trust Company, as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant, [ORIGINAL LOAN PARTICIPANT], as Original Loan Participant, NationsBank of Georgia, National Association, as Indenture Trustee, and The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender. Capitalized terms used herein without definition are used as defined in the Refunding Agreement.

To Each of the Addressees  
Listed in Schedule A  
Attached Hereto

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June 15, 1995

In so acting, we have examined or participated in the preparation of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Amended and Restated Indenture, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment and the form of the Pass Through Certificates being issued today, and we have examined and relied upon the representations and warranties as to factual matters contained therein or made pursuant thereto and upon the originals, or copies certified or otherwise identified to our satisfaction, of such records, documents and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

Based on the foregoing, we are of the following opinion:

1. The Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its business as presently conducted and has, or had on the respective dates of execution thereof, the corporate power and authority to enter into its obligations under the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment and has the corporate power and authority to perform its obligations under the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment.

2. The execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease,

To Each of the Addressees  
Listed in Schedule A  
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June 15, 1995

the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, and the performance by the Lessee of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, have been duly authorized by all necessary corporate action on the part of the Lessee, and do not require any approval of stockholders of the Lessee or approval or consent of any trustee or holders of any indebtedness or obligations of the Lessee known to us, and neither the execution and delivery of any thereof by the Lessee nor the consummation by the Lessee of the transactions contemplated thereby nor compliance by the Lessee with any of the terms and provisions thereof contravene any law, governmental rule or regulation, judgment or order known to us to be applicable to or binding on the Lessee, or contravene or result in any breach of, or constitute any default under, or result in the creation of any Lien (other than as permitted by the Lease or the Indenture) upon any property of the Lessee under, the Certificate of Incorporation or By-Laws of the Lessee or any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement or other agreement or instrument known to us to which the Lessee is a party or by which the Lessee or its properties may be bound or affected.

3. Except as referred to in Section 9(c) of the Refunding Agreement and except for (i) action that may be required to register the issuance and sale of the Pass Through Certificates under the Securities Act of 1933, as amended (the "Securities Act"), which action has been duly accomplished upon the Lessee's Registration Statement on Form S-3 (Registration No. 33-42998), as amended by certain post-effective amendments thereto, having become effective under the Securities Act, pursuant to orders of the Securities and Exchange Commission, to the best of our knowledge no stop order suspending the effectiveness of the Registration Statement having been issued and no proceedings for that purpose having been instituted or threatened, (ii) qualification of the Pass Through Trust Agreement under the Trust Indenture Act of 1939, which

To Each of the Addressees  
Listed in Schedule A  
Attached Hereto

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June 15, 1995

qualification has been duly obtained pursuant to an order of the Securities and Exchange Commission, (iii) filings or other actions that may be required under the securities or Blue Sky laws of the various states, and iv) the filings referred to in paragraphs 5 and 6 below, neither the execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, nor the consummation by the Lessee of any of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, the Securities and Exchange Commission or any other Federal or New York State governmental authority.

4. Each of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment has been duly executed and delivered by the Lessee, and each of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment constitutes the legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms, except i) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and ii) in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not

To Each of the Addressees  
Listed in Schedule A  
Attached Hereto

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June 15, 1995

in our opinion make the remedies provided in the Lease inadequate for the practical realization of the rights and benefits provided thereby.

5. Except for (i) the registration of the Aircraft with the Federal Aviation Administration and (ii) the filing for recordation of (x) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, y) the Original Lease (with the Lease Supplement covering the Aircraft, the Original Indenture, and the Trust Agreement and Indenture Supplement covering the Aircraft attached), and (z) the Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation, in accordance with the Federal Aviation Act, (A) with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to Section 44107 of Title 49 of the United States Code, and assuming that at the time of each such filing no other unrecorded documents relating to the Aircraft have been filed pursuant to such Act but have not been shown on indices of filed but unrecorded documents made available to special Oklahoma City counsel, no further filing or recording of any document is necessary or advisable under the laws of the State of New York or the Federal laws of the United States of America in order to perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties in any applicable jurisdiction within the United States; and B) with respect to such portion, if any, of the Aircraft as may not be covered by such recording system, no further filing or recording of any document (including any financing statement) is necessary or advisable under Article 9 of the Uniform Commercial Code as in effect in any state in order to perfect the Owner Trustee's interest therein as against the Lessee and any third parties in any such state, except for the filing of a Uniform Commercial Code financing statement in the State of Texas, which filing has been duly effected, the filing of an assignment and amendment relating to such financing statement, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the Uniform Commercial Code of the State of Texas.

To Each of the Addressees  
Listed in Schedule A  
Attached Hereto

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June 15, 1995

6. The Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation are in due form for recording and, subject to i) the registration of the Aircraft with the Federal Aviation Administration, and ii) the due and timely filing for recordation of (w) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, (x) the Original Lease (with the Lease Supplement covering the Aircraft, the Original Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached), (y) the Original Indenture (with such Trust Agreement and Indenture Supplement and the Original Trust Agreement attached) and z) the Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation, in accordance with the Federal Aviation Act, and assuming that at the time of each such filing no other unrecorded documents relating to the Aircraft have been filed pursuant to such Act but have not been shown on indices of filed but unrecorded documents made available to special Oklahoma City counsel, the Indenture, as supplemented, creates a security interest in the Owner Trustee's interest in the Aircraft, and, except for such filing or recordation, no further filing or recording of any such instrument or any other instrument is necessary or advisable to establish and perfect such security interest and the assignment for security purposes of the Lease and the Lease Supplement covering the Aircraft to the Loan Trustee in any applicable jurisdiction within the United States of America, except for the filing of Uniform Commercial Code financing statements within the States of Delaware and Texas, which filings have been duly effected, the filing of assignments and amendments to Uniform Commercial Code financing statements previously filed in the States of Delaware and Texas, and the filing of continuation statements with respect to all such financing statements required to be filed at periodic intervals under the Uniform Commercial Code of the States of Delaware and Texas.

7. The Owner Trustee, as Lessor under the Lease, and the Loan Trustee, as assignee of the Owner Trustee's rights under the Lease pursuant to the Indenture, would be entitled to the benefits of Section 1110 of the Bankruptcy Code (11 U.S.C.A. Section 1110) with respect

To Each of the Addressees  
Listed in Schedule A  
Attached Hereto

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June 15, 1995

to the Aircraft initially delivered under the Lease and subjected to the Lease and the Indenture.

In rendering the foregoing opinions, we have relied upon the respective opinions, dated today and delivered to you, of (i) Crowe & Dunlevy, P.C., special Oklahoma City counsel, as to matters of Federal aviation law and (ii) Potter, Anderson & Corroon, special counsel for the Owner Trustee, as to matters of Delaware law, and we have made no investigation of law or fact as to the matters stated in such opinions. We have made the same assumptions as set forth in such opinions (except as to the due authorization, execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment), and our opinion is subject to the same limitations as are therein set forth. With respect to the judgments or orders referred to in paragraph 2 and insofar as the foregoing opinion relates to Federal aviation laws, the Department of Transportation or the Federal Aviation Administration and as to all matters of Texas law, we have relied upon the opinion, dated today and delivered to you, of Anne H. McNamara, Esq., Senior Vice President and General Counsel of the Lessee, and in our opinion you and we are justified in relying on such opinion. We have also assumed that the Refunding Agreement and the Participation Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended.

Our opinion is limited to the laws of the State of New York, the corporate law of the State of Delaware and the Federal laws of the United States of America, except that we express no opinion with respect to the securities laws of any state, including the State of New York.

This opinion is being furnished by us solely for your benefit in connection with the transactions contemplated by the Refunding Agreement. This opinion may not be relied upon or used for any other purpose.

Very truly yours,

## SCHEDULE A

American Airlines, Inc.,  
as Lessee

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit  
Corporation),  
as Owner Participant

Wilmington Trust Company,  
as Owner Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Loan Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch,  
as Initial Bank Lender

[Letterhead of American Airlines]

\_\_\_\_\_, 1995

To each of the Addressees Listed  
on Schedule A Attached Hereto

American Airlines, Inc.  
(AA 1995 PTC Series AA)

Ladies and Gentlemen:

I am Senior Vice President and General Counsel of American Airlines, Inc., a Delaware corporation (the "Lessee"), and as such I am delivering this opinion in connection with the transactions contemplated by the Refunding Agreement (AA 1995 PTC Series AA), dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among the Lessee, Wilmington Trust Company, as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant, Trust Company Bank, as Original Loan Participant, The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and NationsBank of Georgia, National Association, as Indenture Trustee. Capitalized terms used herein without definition are used as defined in the Refunding Agreement.

In so acting, I have examined the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Amended and Restated Indenture, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Instrument of Resignation, the Pass Through Trust Documents, the Purchase Agreement Assignment and the Pass Through Certificates and have examined and relied upon the representations and warranties as to factual matters contained therein or made pursuant thereto and upon the originals, or copies certified or otherwise identified to my satisfaction, of such records, documents and other instruments as in my judgment are necessary

or appropriate to enable me to render the opinion expressed below.

Based on the foregoing, I am of the following opinion:

1. The Lessee holds an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of the United States Code pursuant to which the Lessee is authorized to operate Boeing 767-323ER aircraft, the Lessee is a "citizen of the United States" as defined in Section 40102 of Title 49 of the United States Code, and the Lessee's chief executive office (as such term is defined in Article 9 of the Uniform Commercial Code in effect in the State of Texas) is located in Fort Worth, Texas.

2. The execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Lease Amendment, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, and the performance by the Lessee of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment have been duly authorized by all necessary corporate action on the part of the Lessee, and do not require any approval of stockholders of the Lessee or approval or consent of, any trustees or holders of any indebtedness or obligations of the Lessee known to me; and neither the execution and delivery of any thereof by the Lessee nor the consummation or performance by the Lessee of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment nor the compliance by the Lessee with any of the terms and provisions thereof will contravene any law, governmental rule, regulation, judgment or order known to me to be applicable to, or binding on, the Lessee or for the Certificate of Incorporation or By Laws of the Lessee

contravene or result in any breach of, or constitute any default under, or result in the creation of any Lien (other than as permitted under the Lease or the Indenture) upon any property of the Lessee under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan, credit agreement, contract or other agreement known to me to which the Lessee is a party or by which any of its properties may be bound or affected.

3. Except as referred to in Section 9(c) of the Refunding Agreement and the filings referred to in paragraphs 3, 5 and 6 of the opinion, dated today and delivered to you, of Debevoise & Plimpton, neither the execution and delivery by the Lessee of the Refunding Agreement, the Lease Amendment, the Amended and Restated Rent Schedule, the Tax Indemnity Agreement Amendment, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, nor the consummation by the Lessee of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration or any governmental authority of the State of Texas.

4. No filing or recording of any document in the State of Texas is necessary or advisable in order to perfect the Owner Trustee's title to and interest in the Aircraft as against the Lessee and any third party in the State of Texas, except for the filing of a Uniform Commercial Code financing statement in the State of Texas which filing has been duly effected, and the filing of an assignment and amendment relating thereto in the State of Texas, which assignment and amendment [have] been positioned for filing promptly upon closing, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the Uniform Commercial Code of the State of Texas. No filing or recording of any document in the State of Texas is necessary or advisable to

establish and perfect the security interest in the Aircraft that the Indenture, as supplemented, by its terms purports to create and the assignment for security purposes of the Lease to the Loan Trustee in accordance with the terms of the Indenture, except for the filing of the financing statement and assignment and amendment relating thereto referred to in the first sentence of this paragraph, and continuation statements relating thereto.

5. There are no pending or, to the best of my knowledge, threatened actions or proceedings before any court or administrative agency or arbitrator that would materially adversely affect the ability of the Lessee to perform its obligations under the Refunding Agreement, the Participation Agreement, the Lease, the Amended and Restated Rent Schedule, the Tax Indemnity Agreement, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment.

In rendering the foregoing opinion, I have relied upon the opinion, dated today and delivered to you, of Crowe & Dunlevy, P.C., special Oklahoma City counsel. In so relying, I have made the same assumptions, and my opinion is subject to the same limitations, as are therein set forth. I have also assumed that the Refunding Agreement, the Participation Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended.

I am delivering this opinion to you pursuant to the Refunding Agreement, and no persons other than you and Debevoise & Plimpton are entitled to rely on this opinion.

With your permission, my opinion is limited to the laws of the State of Texas and the Federal laws of the United States of America, except that I express no opinion with respect to the securities laws of any jurisdiction or any other laws.

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To Each of the Addressees  
Listed on Schedule A  
Attached Hereto

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\_\_\_\_\_, 1995

Very truly yours,

Anne H. McNamara  
Senior Vice President  
and General Counsel

## Schedule A

AT&T Credit Holdings, Inc. (formerly AT&T Credit Corporation),  
as Owner Participant

Wilmington Trust Company,  
as Owner Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Loan Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch,  
as Initial Lender

DRAFT

\_\_\_\_\_, 1995

To Each of the Persons  
Listed on Schedule A  
Attached Hereto

Re: American Airlines, Inc.  
(AA \_\_\_ PTC Series \_\_\_)

Ladies and Gentlemen:

We have acted as counsel to Wilmington Trust Company, a Delaware banking corporation (the "Trust Company"), in connection with the Trust Agreement (AA 1992 AF- \_\_\_), dated as of \_\_\_\_\_, 1992 (the "Original Trust Agreement"), by and between the Trust Company and AT&T Credit Holdings, Tnc. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant"), as amended by the First Amendment to Trust Agreement (AA 1992 AF-\_\_\_) (Redesignated AA, 1995 PTC Series \_\_\_), dated as of the date hereof by and between the Trust Company and the Owner Participant (the "Trust Agreement Amendment"; the Original Trust Agreement as amended by the Trust Agreement Amendment being herein called the "Trust Agreement"). Pursuant to the Refunding Agreement (AA 1995 PTC Series \_\_\_), dated as of the date hereof (the "Refunding Agreement"), by and among American Airlines, Inc., as Lessee (the "Lessee"), NationsBank of Georgia, National Association (formerly known as C&S/Sovran Trust Company (Georgia), National Association), as Indenture Trustee (the "Indenture Trustee"), Swiss Bank Corporation, New York Branch and Westland/Utrecht Hypotheekbank, N.V., as Original Loan Participants (the "Original Loan Participant"), the Owner Participant, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee (the "Pass Through Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Trust Company, not in its

individual capacity except as specifically set forth therein, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement, long-term financing is being provided in connection with one Boeing 767-323 aircraft bearing U.S. Registration No. \_\_\_\_ (the "Aircraft"). This opinion is furnished upon the request of the Owner Trustee pursuant to Sections 3(1) and 4(a) of the Refunding Agreement. Capitalized terms used herein and not otherwise defined are used as defined in or by reference in the Refunding Agreement, except that reference herein to any instrument shall mean such instrument as in effect on the date hereof after giving effect to the transactions contemplated by the Refunding Agreement.

We have examined executed counterparts or copies otherwise identified to our satisfaction of the following documents:

- (a) The Original Trust Agreement;
- (b) The Trust Agreement Amendment;
- (c) The original Participation Agreement and the amendments thereto effective on the date hereof (the "Participation Agreement");
- (d) The Refunding Agreement;
- (e) The Original Lease;
- (f) The Lease Amendment;
- (g) The Lease Supplement No. 1 dated the Delivery Date covering the Aircraft (the "Lease Supplement");
- (h) The Indenture;
- (i) The Trust Agreement and Indenture Supplement No. 1 dated the Delivery Date covering the Aircraft (the "Trust Supplement");
- (j) The Purchase Agreement Assignment;
- (k) The Instrument of Resignation;
- (l) The Amended and Restated Rent Schedule; and

- (m) The Equipment Notes being issued on the date hereof (the "Equipment Notes").

The documents identified in paragraphs (a) through (1) above are collectively referred to herein as the "Operative Documents."

We have also examined originals or copies of such other documents, such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of the corporations or entities referred to herein and such other instruments as we have deemed necessary or appropriate for the purposes of this opinion. Moreover, as to certain facts material to the opinions expressed herein, we have relied upon the representations and warranties contained in the instruments referred to above.

Based upon the foregoing and upon an examination of such questions of law as we have considered necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. The Trust Company is a Delaware banking corporation, duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate, banking and trust powers to enter into and perform its obligations under the Trust Agreement, and the Owner Trustee has the authority under the Trust Agreement to execute, deliver and perform its obligations under the Operative Documents and to issue, execute, deliver and perform its obligations under the Equipment Notes.

2. The Trust Company is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code.

3. Each Operative Document has been duly authorized, executed and delivered by the Trust Company or by the Owner Trustee, as the case may be, and constitutes the legal, valid and binding obligation of the Trust Company or the Owner Trustee, as the case may be, enforceable against the Trust Company or the Owner Trustee, as the case may be, in accordance with its respective terms. The Trust Agreement constitutes a legal, valid and binding obligation of the Owner Participant enforceable against the Owner Participant in

accordance with its terms. The Equipment Notes have been duly authorized, issued, executed and delivered by the Owner Trustee, pursuant to authorization contained in the Trust Agreement, and constitute the legal, valid and binding obligations of the Owner Trustee enforceable against the Owner Trustee in accordance with their terms and the terms of the Indenture; and the Equipment Notes are entitled to the benefits and security afforded by the Indenture in accordance with its terms and the terms of the Indenture.

4. Neither the execution and delivery by the Trust Company or the Owner Trustee, as the case may be, of the Operative Documents, nor the issuance, execution and delivery by the Owner Trustee of the Equipment Notes, nor the fulfillment of or compliance by the Trust Company or the Owner Trustee, as the case may be, with the respective provisions thereof, conflicts with, or results in a breach of the terms, conditions or provisions of, or constitutes a default under, or results in a violation of, the charter or by-laws of the Trust Company, any law of the State of Delaware or any federal law of the United States of America governing the banking or trust powers of the Trust Company or, to the best of our knowledge, any agreement, indenture, instrument, order, judgment or decree to which the Trust Company, the Owner Trustee or any of their respective properties is subject.

5. No consent, approval or other action by or any notice to or filing with any court or administrative or governmental body is required under the laws of the State of Delaware or the federal laws of the United States of America governing the banking or trust powers of the Trust Company in connection with the authorization, execution and delivery by the Trust Company or the Owner Trustee of the Operative Documents, the authorization, issuance, execution and delivery by the Owner Trustee of the Equipment Notes, or the fulfillment of or compliance by the Trust Company or the Owner Trustee with the respective terms and provisions thereof.

6. The Trust Agreement creates for the benefit of the Owner Participant the rights and interests in the Trust Estate which the Trust Agreement by its terms purports to create, and such interest is subject and subordinate to the security interests created by the Indenture to the extent provided in the Indenture.

7. There are no taxes, fees or other charges ("Taxes") payable to the State of Delaware or to any political subdivision thereof in connection with the execution and delivery of the Operative Documents or the Pass Through Trust Documents. None of the transactions contemplated by the Operative Documents or the Pass Through Trust Documents nor any of the Owner Participant, the Lessee, the Owner Trustee (individually or as Owner Trustee), the Trust Estate, the trust created by the Trust Agreement, any holder of an Equipment Note, any original Loan Participants, the Loan Trustee (in its individual capacity or as trustee), the Indenture Estate (such term being used in this opinion letter as defined in the Indenture), the Indenture Trustee (in its individual capacity or as Indenture Trustee), the trust created by the Indenture, any Pass Through Trustee (in its individual capacity or as trustee), any trust created by any Pass Through Trust Document or any holder of a Pass Through Certificate (or their Affiliates, successors, officers, directors, agents, servants or assigns) will be subject to any Tax under the laws of the State of Delaware or any political subdivision thereof (other than Taxes imposed on the fees received by the Owner Trustee for acting as trustee under the Trust Agreement) which would not have been imposed if the trust created by the Trust Agreement had not been created pursuant to the laws of the State of Delaware and the Trust Company had not (a) been incorporated under the laws of, (b) had its principal place of business in, (c) performed (individually or as Owner Trustee) its duties under the Operative Documents in, and (d) engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Delaware. There are no Taxes under the laws of the State of Delaware or any political subdivision thereof upon or with respect to (i) the construction, mortgaging, financing, refinancing, purchase, acquisition, acceptance, rejection, delivery, nondelivery, transport, location, ownership, control, insurance, registration, reregistration, deregistration, assembly, possession, repossession, operation, use, condition, maintenance, repair, sale, return, abandonment, replacement, preparation, installation, storage, redelivery, manufacture, leasing, subleasing, modification, rebuilding, importation, transfer of title, transfer of registration, exportation or other application or disposition of the Aircraft, any Engine or any Part or any interest in any thereof (ii) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest therein or payable pursuant to the Lease, (iii)

any amount paid or payable pursuant to any Operative Document or any Pass Through Trust Document, (iv) the Aircraft, any Engine or any Part or any interest therein or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest therein, (v) any or all of the Operative Documents, the Pass Through Trust Documents, the Equipment Notes or any interest in any or all thereof, or the offering, assumption, registration, reregistration, issuance, acquisition, modification, reissuance, refunding or refinancing of any or all thereof, and any other documents contemplated hereby or thereby and amendments and supplements hereto and thereto, (vi) any change in the Owner Trustee or the situs of the Trust Estate made pursuant to Section 9(d) of the Participation Agreement, (vii) the property, or the income or other proceeds received with respect to the property, held by the Loan Trustee under the Indenture, (viii) the payment of the principal of or interest or premium on, or other amounts payable with respect to, any or all of the Loan Certificates, the Equipment Notes or the Pass Through Certificates, whether as originally issued or pursuant to any refinancing, refunding, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all of the Equipment Notes or the Pass Through Certificates, or (ix) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if the trust created by the Trust Agreement had not been created pursuant to the laws of the State of Delaware and the Trust Company had not (w) been incorporated under the laws of, (x) had its principal place of business in, (y) performed (individually or as Owner Trustee) its duties under the Operative Documents in, and (z) engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Delaware.

8. The Owner Trustee has received from the Lessee such title to the Aircraft as was conveyed to it by the Lessee, subject to the rights of the Owner Trustee and the Lessee under the Lease and the security interest created pursuant to the Indenture and the Trust Supplement; and, to our knowledge, there exist no Liens affecting the interest of the Owner Trustee in the Aircraft resulting from acts of the Owner Trustee, except Liens permitted by the Participation Agreement, the Trust Agreement, the Indenture, the Trust Supplement, the

Lease, and the Lease Supplement or created by the Trust Agreement, the Indenture or the Trust Supplement.

9. All the properties which are part of the Indenture Estate (including all right, title and interest of the Owner Trustee pledged and mortgaged by it pursuant to the Indenture) have been pledged and mortgaged with the Loan Trustee as part of the Indenture Estate, and the beneficial interest of the Owner Participant under the Trust Agreement in and to such properties is subject, to the extent provided in the Indenture, to the lien of the Indenture in favor of the holders from time to time of the Equipment Notes.

10. To the extent that the Uniform Commercial Code of the State of Delaware (the "UCC") is applicable, except for the Loan Trustee's taking of possession of all monies, instruments and securities constituting part of the Indenture Estate, no action, including the filing or recording of any document, is necessary (i) to create in the State of Delaware the security interest in the Indenture Estate (including the grant and assignment unto the Loan Trustee of the security interest in all estate, right, title and interest of the Owner Trustee in, to and under the Lease, the Lease Supplement, the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment) and the Purchase Agreement Assignment) which the Indenture by its terms purports to create in favor of the Loan Trustee, and (ii) to perfect in the State of Delaware such security interest, except for the filing of a UCC financing statement in the State of Delaware, which filing has been duly effected, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the UCC.

11. To the best of our knowledge, there are no proceedings pending or threatened against or affecting the Trust Company or the Owner Trustee in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the right, power and authority of the Trust Company or the Owner Trustee to enter into or perform its obligations under the instruments referred to in paragraph 1 above.

The foregoing opinions are subject to the following assumptions, exceptions and qualifications:

A. The foregoing opinions are limited to the laws of the State of Delaware and the federal laws of the United States of America governing the banking and trust powers of the Trust Company. In addition, we express no opinion with respect to (i) federal securities laws, including the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, (ii) the Federal Aviation Act of 1958, as amended (except with respect to the opinion set forth in paragraph 2 above concerning the citizenship of the Trust Company), (iii) the Federal Communications Act of 1934, as amended, or (iv) state securities or blue sky laws. Insofar as the foregoing opinions relate to the validity and enforceability in Delaware of the Equipment Notes and the Operative Documents expressed to be governed by laws other than the laws of the State of Delaware, we have assumed that the Equipment Notes and such Operative Documents constitute legal, valid, binding and enforceable documents or instruments under such laws (as to which we express no opinion).

B. The foregoing opinions regarding the enforceability of any document or instrument are subject to (i) applicable bankruptcy, insolvency, moratorium, reorganization, receivership, fraudulent conveyance and similar laws affecting the rights and remedies of creditors generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

C. We have assumed the due authorization, execution and delivery by each of the parties thereto, other than the Trust Company and the Owner Trustee, of the Operative Documents to which each is a party and that each of such parties has the full power, authority and legal right to execute and deliver each such document.

D. The opinion set forth in paragraph 2 above concerning the citizenship of the Trust Company is based upon an affidavit of the Trust Company, made by its Vice President, the facts set forth in which we have not independently verified.

E. We have assumed that all signatures (other than those of the Trust Company and the Owner Trustee) on documents and instruments submitted to us as originals are authentic, and that all documents and instruments submitted to

us as copies conform with the originals, which facts we have not independently verified.

F. We do not purport to be experts in respect of, or express any opinion concerning, aviation law or other laws, rules or regulations applicable to the particular nature of the equipment owned by the Owner Trustee.

G. We have assumed that the Participation Agreement, the Refunding Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974.

H. We have assumed the due authentication of the Equipment Notes by the Loan Trustee.

I. No opinion is expressed as to the nature of the title to any part of the Trust Estate or the priority of any mortgage or security interest.

J. This opinion is rendered solely for your benefit and may not be furnished or quoted to or relied upon by any other person or entity for any purpose without our prior written consent, except that the law firms of Debevoise & Plimpton and Shearman & Sterling may rely on this opinion in connection with the rendering of their opinions dated the date hereof in connection with the financing described herein.

Very truly yours,

## OWNER TRUSTEE

Wilmington Trust Company

## LESSEE

American Airlines, Inc.

## OWNER PARTICIPANT

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit Corporation)

## LOAN TRUSTEE

State Street Bank and Trust Company of Connecticut,  
National Association

## PASS THROUGH TRUSTEE

State Street Bank and Trust Company of Connecticut,  
National Association

## UNDERWRITERS

J.P. Morgan Securities Inc.  
Morgan Stanley & Co. Incorporated  
Salomon Brothers Inc

Initial Bank Lender

The Mitsubishi Trust and Banking Corporation,  
New York Branch

June \_\_, 1995

TO THE PARTIES SET FORTH  
IN SCHEDULE A HERETO

RE: AMERICAN AIRLINES, INC.  
REFUNDING AGREEMENT (AA 1995 PTC SERIES AA)

Ladies and Gentlemen:

We are acting as special counsel to State Street Bank and Trust Company of Connecticut, National Association, individually ("SSB"), and as Loan Trustee (the "LOAN TRUSTEE") under the Trust Indenture and Security Agreement (AA 1995 AF-1), dated as of June 15, 1992 between Wilmington Trust Company, as Owner Trustee (the "OWNER TRUSTEE") and the Loan Trustee, as successor to NationsBank of Georgia, National Association, and State Street Bank and Trust Company (the "PARENT GUARANTOR") in connection with the transactions contemplated by (i) that certain Refunding Agreement (AA 1995 PTC Series AA) dated as of June 1, 1995 (the "REFUNDING AGREEMENT"), among SSB, as Loan Trustee; American Airlines, Inc., as Lessee; AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant; the Owner Trustee; SSB, as Pass Through Trustee; Trust Company Bank, as Original Loan Participant; The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender; and NationsBank of Georgia, National Association, as Indenture Trustee, and (ii) the Guarantee (AA 1995 PTC Series AA) dated as of June 1, 1995 (the "GUARANTEE") from the Parent Guarantor to the Beneficiaries named therein. This opinion is delivered to you pursuant to Section 3(m) and Section 4(a) of the Refunding Agreement. Except as otherwise defined herein, terms used herein shall have the meanings set forth in the Refunding Agreement.

Our representation of SSB, the Loan Trustee and the Parent Guarantor has been as special counsel for the purposes stated above. As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the parties set forth in the Operative Documents and (ii) certificates delivered to us by the management of SSB

and the Parent Guarantor, and have assumed, without independent inquiry, the accuracy of those representations and certificates.

We have examined the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Participation Agreement, and the Guarantee, Certificates of the Comptroller of the Currency and the Massachusetts Commissioner of Banks relating to SSB and the Parent Guarantor, respectively, and originals, or copies certified or otherwise identified to our satisfaction, of such other records, documents, certificates, or other Instruments as we have deemed necessary or advisable for the purposes of this opinion.

We have assumed the genuineness of all signatures (other than those on behalf of SSB, the Loan Trustee and the Parent Guarantor), the conformity to the originals of all documents reviewed by us as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document (other than on behalf SSB, the Loan Trustee and the Parent Guarantor).

When an opinion set forth below is given to the best of our knowledge, or to our knowledge, or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual knowledge or awareness of the individual lawyer in the firm that signed this opinion, the individual lawyers in the firm who have participated directly in the specific transactions to which this opinion relates or in the preparation of this opinion and the partner of the firm responsible for SSB corporate trust matters, and without any special or additional investigation undertaken for the purposes of this opinion.

Each opinion set forth below relating to the enforceability of any agreement or instrument against SSB, the Loan Trustee, or the Parent Guarantor, as applicable, is subject to the following general qualifications:

(i) as to any agreement to which SSB, or the Loan Trustee, as applicable, is a party, we assume that such agreement is the legal, valid and binding obligation of each other party thereto (other than SSB and the Loan Trustee, as the case may be);

(ii) the enforceability of any obligation of SSB, the Loan Trustee, and the Parent Guarantor may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, marshaling and other similar laws and rules of law affecting the enforcement generally of creditors'

rights and remedies (including such as may deny giving effect to waivers of debtors' or guarantors' rights); and

(iii) the enforcement of any rights and availability of any specific or equitable relief may in all cases be subject to an implied duty of good faith and to general principles of equity (regardless of whether such enforceability or such relief is considered in a proceeding at law or in equity).

Subject to the limitation set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. The opinions expressed in paragraphs 1 through 9 below are limited solely to the internal substantive laws of the State of Connecticut and the federal laws of the United States of America, and the opinions expressed in paragraphs 10, 12, 13, 14 and 15 below are limited solely to the internal substantive laws of The Commonwealth of Massachusetts and the federal laws of the United States of America. The opinion expressed in paragraph 11 below is limited solely to the internal substantive laws of the State of Connecticut and the internal substantive laws of The Commonwealth of Massachusetts. No opinion is expressed herein as to the application or effect of federal securities laws or as to the securities or so-called "Blue Sky" laws of any state or other jurisdiction. In addition, other than our opinion expressed in paragraph 1 below with respect to the citizenship of SSB, no opinion is expressed as to matters governed by Title 49 of the United States Code, or by any other law, statute, rule or regulation of the United States relating to the acquisition, ownership, registration, use, operation, maintenance, repair, replacement or sale of or the nature of the Aircraft, Airframe or Engines.

With your permission, with respect to paragraphs 1 through 5 below in connection with our opinion relating to the legality, validity and binding effect of the documents there referred to, to the extent that the laws of the State of Connecticut do not govern such documents, we have assumed that the laws of the jurisdictions whose laws govern such documents are not materially different from the internal substantive laws of the State of Connecticut.

This opinion is rendered solely for the benefit of those institutions listed on Schedule A hereto and their successors and assigns in connection with the transactions contemplated by the Refunding Agreement and may not be used or relied upon by any other person or for any other purpose.

Based on and subject to the foregoing, we are of the opinion that:

1. SSB is a national banking association duly organized and validly existing in good standing with the Comptroller of the Currency under the laws of the United States of America, is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, and has the corporate power and authority to execute and deliver, individually or as Loan Trustee, as the case may be, the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and to authenticate the Equipment Notes, and to carry out, individually or as Loan Trustee, as the case may be, the terms of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation;

2. each of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation have been duly authorized, executed and delivered by SSB, individually or as Loan Trustee, as the case may be, and, assuming the due authorization, execution and delivery by the other parties thereto and that value has been given, each of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation constitutes the legal, valid and binding obligation of SSB, individually or as Loan Trustee, as the case may be, enforceable against it in such capacities in accordance with its terms;

3. the Equipment Notes issued on the date hereof have been duly and validly authenticated by SSB, as Loan Trustee, pursuant to the terms and provisions of, and in accordance with the requirements of, the Indenture;

4. the execution and delivery by SSB, individually or as Loan Trustee, as the case may be, of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and the performance of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and the authentication by the Loan Trustee of the Equipment Notes issued today, have been duly authorized by all necessary corporate action on the part of SSB, individually or as Loan Trustee, as the case may be, and do not and did not require any approval of the stockholders of SSB, and such execution, delivery and performance were not and are not in violation of SSB's Articles of Association or By-laws, or of any indenture, mortgage, credit agreement, license or other

agreement or instrument, in each case known to us, to which SSB, individually or as Loan Trustee, as the case may be, is a party or by which it in either capacity is bound, or of any judgment or order known to us or of any federal law, rule or regulation relating to its banking or trust powers or any Connecticut law, rule or regulation applicable to SSB in either capacity;

5. neither the execution, delivery or performance by SSB, individually or as Loan Trustee, as the case may be, of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, nor the performance of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation nor the authentication by the Loan Trustee of the Equipment Notes issued today nor the consummation of any of the transactions by SSB, individually or as Loan Trustee, as the case may be, contemplated thereby required or requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to any governmental authority or agency under any existing federal or Connecticut law governing the banking, fiduciary or trust powers of SSB;

6. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the State of Connecticut or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Loan Trustee, as the case may be, or by the Lessee, of the Operative Documents or the Instrument of Resignation to which SSB in either capacity or the Lessee is a party or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Equipment Notes pursuant to the Indenture. Neither SSB, in its individual capacity or as Loan Trustee, as the case may be, the Owner Participant, the Owner Trustee (in its individual capacity or as Owner Trustee), the trust created by the Trust Agreement, the Trust Estate, the Indenture Trustee (in its individual capacity, or as Indenture Trustee), the Original Loan Participant, the Indenture Estate, any holder of any Equipment Note, the Lessee, the Pass Through Trustee, any trust created by any Pass Through Trust Document, any holder of any Pass Through Certificate, any person acquiring an interest in any Pass Through Certificate, the trust created by the Indenture, nor any entity created by the Indenture (nor their officers, directors, agents, servants, affiliates, successors or assigns) will be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof (other than Taxes imposed on

the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee) that would not have been imposed if SSB had not had its principal place of business in, had not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the State of Connecticut. There are no applicable Taxes under the laws of the State of Connecticut or any political subdivision thereof upon or with respect to (a) the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof; (b) the purchase, acceptance, rejection, delivery, nondelivery, transport, location, insurance, registration, assembly, maintenance, abandonment, storage, modification, transfer of title, acquisition, ownership, delivery, lease, sublease, financing, refinancing, mortgaging, presence, condition, replacement, substitution, pooling, assignment, alteration, exportation, repossession, control, deregistration, possession, use, operation, construction, manufacture, repair, sale, return, transfer or other application or disposition of the Aircraft, the Airframe, any Engine or any Part or any interest therein; (c) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease; (d) any amount paid or payable pursuant to any Operative Document, the Instrument of Resignation or any Pass Through Trust Document (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or Pass Through Trustee); (e) any or all of the Operative Documents, the Instrument of Resignation, any or all of the Pass Through Trust Documents, the Underwriting Agreement, any or all of the Equipment Notes or the Pass Through Certificates or any interest therein or the offering, registration, reregistration, issuance, acquisition, modification, recording, filing, assumption, reissuance, redemption, refinancing or refunding thereof, or any other documents contemplated thereby and amendments, waivers, consents and supplements thereto; (f) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Equipment Notes, whether as originally issued or pursuant to any refinancing, refunding, redemption, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all the Equipment Notes; (g) any change in the Owner Trustee made pursuant to Article IX of the Trust Agreement or the situs of the Trust Estate made pursuant to Section 9 of the Participation Agreement; (h) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by SSB, as Loan Trustee, under the

Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents, the Instrument of Resignation or the Pass Through Trust Documents, which would not have been imposed if SSB had not had its principal place of business in, and not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the State of Connecticut;

7. to the best of our knowledge there are no proceedings pending or threatened against or affecting SSB, either in its individual capacity or as Loan Trustee, as the case may be, in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the Indenture Estate or would question the right, power and authority of SSB in either capacity to enter into or perform its obligations under the instruments referred to in paragraph 1 above;

8. insofar as the laws of the State of Connecticut pertains thereto, the Indenture creates for the benefit of the holders of the Equipment Notes the rights and interests in the Indenture Estate which the Indenture by its terms purports to create;

9. to the best of our knowledge, there exist no liens affecting the title of the Owner Trustee to the Trust Estate or any part thereof resulting from the acts of the Loan Trustee and not related to the interest of the Loan Trustee in the Trust Estate except liens permitted by the Operative Documents;

10. the Parent Guarantor is a Massachusetts trust company, duly organized, validly existing and in good standing with the Commissioner of Banks of the Commonwealth of Massachusetts under the laws of the Commonwealth of Massachusetts;

11. all of the shares of the outstanding capital stock of SSB are owned of record by the Parent Guarantor;

12. the Parent Guarantor has full corporate power and authority and legal right to enter into and perform its obligations under the Guarantee, and the Guarantee has been duly authorized, executed and delivered by duly authorized officers of the Parent Guarantor and is the legal, valid and

binding obligation of the Parent Guarantor enforceable against the Parent Guarantor in accordance with its terms;

13. the execution and delivery of the Guarantee and compliance by the Parent Guarantor with all of the provisions thereof do not and will not (i) contravene any law or, (ii) contravene any order known to us of any court or governmental authority or agency applicable to or binding on the Parent Guarantor or (iii) contravene the provisions of its charter documents or by-laws or the provisions of any indenture, mortgage, contract or other agreement, in each case known to us, to which it is a party or by which it or its properties may be bound or affected;

14. neither the execution nor the delivery of the Guarantee by the Parent Guarantor nor the performance by the Parent Guarantor of the Guarantee requires the consent, approval or authorization of, the giving of notice to, the recording or filing, registration or qualification with, or the taking of any other action in respect of any Massachusetts governmental authority on the part of the Parent Guarantor;

15. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the Commonwealth of Massachusetts or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Loan Trustee, as the case may be, or by the Lessee, of the Operative Documents or the Instrument of Resignation to which SSB in either capacity or the Lessee is a party or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Equipment Notes pursuant to the Indenture. Neither SSB, in its individual capacity or as Loan Trustee, as the case may be, the Owner Participant, the Owner Trustee (in its individual capacity or as Owner Trustee), the trusts created by the Trust Agreement, the Trust Estate, the Indenture Trustee (in its individual capacity, or as Indenture Trustee), the Original Loan Participants, the Indenture Estate, any holder of any Equipment Note, the Lessee, the Pass Through Trustee, any trust created by any Pass Through Trust Document, any holder of any Pass Through Certificate, any person acquiring an interest in any Pass Through Certificate, the trust created by the Indenture, nor any entity created by the Indenture (nor their officers, directors, agents, servants, affiliates, successors or assigns) will be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee) that would not have been imposed if SSB had not performed, either

in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the Commonwealth of Massachusetts. There are no applicable Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof upon or with respect to (a) the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof; (b) the purchase, acceptance, rejection, delivery, nondelivery, transport, location, insurance, registration, assembly, maintenance, abandonment, storage, modification, transfer of title, acquisition, ownership, delivery, lease, sublease, financing, refinancing, mortgaging, presence, condition, replacement, substitution, pooling, assignment, alteration, exportation, repossession, control, deregistration, possession, use, operation, construction, manufacture, repair, sale, return, transfer or other application or disposition of the Aircraft, the Airframe, any Engine or any Part or any interest therein; (c) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease; (d) any amount paid or payable pursuant to any Operative Document, the Instrument of Resignation or any Pass Through Trust Document (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or Pass Through Trustee); (e) any or all of the Operative Documents, the Instrument of Resignation, any or all of the Pass Through Trust Documents, the Underwriting Agreement, any or all of the Equipment Notes or the Pass Through Certificates or any interest therein or the offering, registration, reregistration, issuance, acquisition, modification, recording, filing, assumption, reissuance, redemption, refinancing or refunding thereof, or any other documents contemplated thereby and amendments, waivers, consents and supplements thereto; (f) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Equipment Notes, whether as originally issued or pursuant to any refinancing, refunding, redemption, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all the Equipment Notes; (g) any change in the Owner Trustee made pursuant to Article IX of the Trust Agreement or the situs of the Trust Estate made pursuant to Section 9 of the Participation Agreement; (h) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by SSB, as Loan Trustee, under the Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents, the Instrument of

Resignation or the Pass Through Trust Documents, which would not have been imposed if SSB had not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the Commonwealth of Massachusetts.

This opinion is rendered to you at the request of SSB, as Loan Trustee, and the Parent Guarantor, pursuant to the Refunding Agreement and SSB, as Loan Trustee and the Parent Guarantor have consented to the opinions expressed herein. We have discussed with SSB, as Loan Trustee, and the Parent Guarantor the consequences of their request for and consent to the rendering of the opinions expressed herein. This opinion is solely for your benefit in connection with the above transactions and to that extent we agree and understand that you may rely upon the opinions expressed herein.

Very truly yours,

BINGHAM, DANA & GOULD

## SCHEDULE A

American Airlines, Inc., as Lessee

State Street Bank and Trust Company of Connecticut, National Association.  
as Pass Through Trustee

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation),  
as Owner Participant

Wilmington Trust Company, as Owner Trustee

The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial  
Bank Lender

Trust Company Bank, as Original Loan Participant

DRAFT 6/1/95

[Letterhead of Sidley &amp; Austin]

\_\_\_\_\_, 1995

To Each of the Addressees  
Listed on Schedule A Attached Hereto

Re: American Airlines, Inc.  
(AA 1995 PTC Series)

Ladies and Gentlemen:

We have acted as special counsel to AT&T Credit Holdings, Inc., a Delaware corporation (the "Owner Participant"), in connection with the transactions contemplated by the Refunding Agreement dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among American Airlines, Inc., as Lessee, Wilmington Trust Company, as Owner Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, NationsBank of Georgia, National Association, as Indenture Trustee, Trust Company Bank, as Original Loan Participant, State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Owner Participant. This opinion is given pursuant to Sections 3(n) and 4(a) of the Refunding Agreement. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in the Refunding Agreement.

In that connection, we have examined executed counterparts of the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Tax Indemnity Agreement and the Tax Indemnity Agreement Amendment (collectively, the "Agreements"). We have further examined and relied upon the accuracy of original, certified, conformed, photographic or telecopied copies of such records, agreements, certificates and other documents as we have deemed necessary or appropriate to enable us to render the opinions expressed herein. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to such original documents of all copies submitted to us as certified, conformed, photographic or telecopied copies, and, as to certificates and telegraphic and telephonic

confirmations given by public officials, we have assumed the same to have been properly given and to be accurate.

In rendering the opinions set forth below, we have assumed the due authorization, execution and delivery of the Agreements by each party other than the Owner Participant.

Based upon the foregoing, we are of the opinion that:

1. The Participation Agreement, the Trust Agreement, the Refunding Agreement, the Amended and Restated Rent Schedule and the Tax Indemnity Agreement constitute valid and binding obligations of the Owner Participant, enforceable against the Owner Participant in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

2. Neither the execution and delivery of the Participation Agreement, the Trust Agreement, the Refunding Agreement, the Amended and Restated Rent Schedule or the Tax Indemnity Agreement by the Owner Participant nor the consummation by the Owner Participant of any of the transactions therein contemplated, or the fulfillment of, or compliance with, the terms and provisions of any thereof, (A) requires the consent or approval of, the giving of notice to, the registration with, or taking of any other action with respect to, any governmental authority or agency of the State of New York or the federal government of the United States of America or (B) contravenes any law, governmental rule or regulation of the State of New York or the federal government of the United States of America.

In rendering the foregoing opinions, we have, with your consent, relied upon the opinion of even date herewith of Louis B. Fontana, Esq., [Assistant Secretary] of the Owner Participant, as to the matters set forth therein.

The foregoing opinions are subject, however, to the qualification that we express no opinion as to (i) matters relating to the title to or sufficiency or description of any property or collateral described in the Participation Agreement or the Trust Agreement or the perfection or relative priority of any lien or security interest created with respect to such property or collateral thereunder or (ii) the enforceability of any indemnification provisions of the Agreements insofar as they

To Each of the Addresses  
Listed on Schedule A Attached Hereto

\_\_\_\_\_, 1995

Page 3

might require indemnification of an indemnified party as to any loss, cost or expense arising out of any violation by any party of statutory duties, general principles of equity or public policy. In addition, we express no opinion as to matters governed by (i) any tax laws, (ii) the Federal Aviation Act of 1958, as amended, or any other laws, statutes, rules or regulations of the United States of America relating to the acquisition, ownership, registration, leasing, use or sale of the Aircraft, the Airframe or the Engines, (iii) any securities laws or (iv) the Employee Retirement Income Security Act of 1974.

We are licensed to practice law in the State of New York, and we express no opinions herein as to the laws of any state or jurisdiction other than the laws of the State of New York, the federal laws of the United States of America and the General Corporation Law of the State of Delaware.

This opinion is furnished by us at your request, and we agree that you may rely on the opinions expressed herein. No other person or entity shall be entitled to rely on the opinions expressed herein without our express written consent.

Very truly yours,

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant

American Airlines, Inc., as Lessee

Wilmington Trust Company, as Owner Trustee

State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee and Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch, as Initial Bank Lender

[Letterhead of AT&amp;T]

\_\_\_\_\_, 1995

To the Addresses Listed on  
Exhibit A Attached Hereto

Re: American Airlines, Inc. (AA 1995 PTC Series)

Gentlemen:

I am \_\_\_\_\_ of AT&T Credit Holdings, Inc., a Delaware corporation (the "Owner Participant"), and have acted as counsel to the Owner Participant in connection with the transactions contemplated by that certain Refunding Agreement dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement") by and among American Airlines, Inc., as Lessee, Wilmington Trust Company, as Owner Trustee, NationsBank of Georgia, National Association, as Indenture Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, Trust Company Bank, as Original Loan Participant, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, the Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Owner Participant.

Except as otherwise noted herein, all capitalized terms used herein shall have the respective defined meanings set forth in the Refunding Agreement.

In connection with my opinion herein, I have examined executed counterparts of the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Rent Schedule and the Amended and Restated Rent Schedule (collectively, the "Agreements"). I have relied upon the representations and warranties contained in each such document and upon originals or copies, certified or otherwise identified to my satisfaction, of such other documents as I have deemed relevant to the rendering of this opinion. As to all matters of fact covered by such documents, I have relied, without independent investigation or verification, on such documents. In such examination I have assumed the genuineness of all signatures (other than that of the Owner Participant) and the authenticity of all documents submitted to me as originals and the conformity with the originals of all documents submitted to me as copies.

In rendering the opinions set forth below, I have assumed the due authorization, execution and delivery of the Agreements by each of the parties thereto other than the Owner Participant. In rendering the opinions set forth below I have also assumed (i) the registration of the Aircraft with the FAA in the name of the Owner Trustee effected on \_\_\_\_\_, 1992 is in full force and effect, (ii) the due filing and recordation under the Federal Aviation Act of 1958, as amended, of the Trust Indenture, as amended by the Amended and Restated Trust Indenture and Security Agreement, and other documents described in the opinion of Crowe & Dunlevy of even date herewith addressed to you, (iii) the absence at the time of such recording of any Liens in or upon such Aircraft, except for Liens created pursuant to the Operative Documents, and (iv) the filing of the Uniform Commercial Code financing statements and amendments thereto in the appropriate jurisdictions.

Based upon and subject to the foregoing, it is my opinion that:

1. The Owner Participant is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to execute, deliver and perform its obligations under the Agreements.
2. The Agreements have been duly authorized, executed and delivered by the Owner Participant.
3. Neither the execution of and delivery by the Owner Participant of the Agreements nor the consummation by the Owner Participant of any of the transactions contemplated thereby, nor the fulfillment of or compliance with the terms and provisions of any of the Agreements that are required to be fulfilled or complied with by the Owner Participant (a) requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to, any governmental authority or agency of the Federal government of the United States; or (b) violates any law, governmental rule or regulation of the Federal Government of the United States or any governmental authority or agency thereof; or (c) results in the breach of any of the terms, conditions or provisions of the Certificate of Incorporation or By-Laws of the Owner Participant; or (d) to the best of my knowledge without independent inquiry, is in violation of any judgment or order applicable to the Owner Participant or any material provision of any indenture, mortgage, contract or other agreement to which the Owner Participant is a party or by which the Owner Participant is bound.

4. There are no actions, suits or proceedings pending or, to the best of my knowledge without independent investigation, threatened against or affecting the Owner Participant in any court or before any administrative agency or arbitrator, which, if adversely determined, would materially and adversely affect the ability of the Owner Participant to perform its obligations under the Agreements.

I am a member of the Bar of the State of Illinois, and I do not express herein any opinion as to any matters governed by any law other than the corporate laws of the State of Delaware and the Federal law of the United States. No opinion is expressed herein as to matters governed by (i) any Federal or state securities laws, (ii) any Federal or state tax laws, or (iii) the Federal Aviation Act of 1958, as amended, or by any other laws, statutes, rules or regulations relating to the acquisition, ownership, registration, leasing, use or sale of the Aircraft, the Airframe or the Engines.

This opinion is furnished by me at the request of the Owner Participant for your sole benefit, and I agree that you may rely on the opinions expressed herein. No other person or entity shall be entitled to rely on this opinion without my express written consent. This opinion shall not be published or reproduced in any manner or distributed or circulated to any person or entity without my express written consent. This opinion is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Very truly yours,

Louis B. Fontana, Jr.

American Airlines, Inc., as Lessee

Wilmington Trust Company, as Owner Trustee

State Street Bank and Trust Company of Connecticut,  
National Association, as Loan Trustee and Pass Through Trustee

Sidley & Austin

The Mitsubishi Trust and Banking Corporation,  
New York Branch, as Initial Bank Lender

[CROWE &amp; DUNLEVY LETTERHEAD]

, 1995

To each of the Addressees Listed  
in Schedule A Attached Hereto

American Airlines, Inc. (AA 1995 PTC Series)

Ladies and Gentlemen:

Pursuant to Section 3(o) of the Refunding Agreement dated as of this date (the "Refunding Agreement") among American Airlines, Inc. as Lessee (the "Lessee"), AT&T Credit Holdings, Inc., (formerly known as AT&T Credit Corporation), as Owner Participant (the "Owner Participant"), Wilmington Trust Company as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, \_\_\_\_\_ as Loan Participant (the "Loan Participant"), NationsBank of Georgia, National Association, as Indenture Trustee (the "Indenture Trustee"), The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), this opinion is rendered with respect to matters arising under that portion of Title 49 of the United States Code (the "Code"), relating to the recordation of the instruments hereinafter described and the registration of the \_\_\_\_\_ aircraft with manufacturer's serial number \_\_\_\_\_ and United States nationality and registration marks \_\_\_\_\_ (the "Aircraft") pursuant to the Code. This letter confirms that we filed the following described instruments with the Federal Aviation Administration (the "FAA") today in accordance with the provisions of the Code, at the respective times noted below:

- (a) First Amendment to Trust Agreement (AA 1992 AF-\_\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Trust Agreement Amendment") between the Owner Trustee and the Owner Participant, which amended the Trust Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, was filed at : .M., C.D.T.;
- (b) Instrument of Resignation, Appointment and Acceptance dated as of this date (the "Instrument of Resignation") among the Lessee, the Owner Trustee, the Loan Trustee as assignee, the Indenture Trustee as assignor and the Loan Participant, which assigned the Trust Indenture and Security Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, between the Owner Trustee and the Indenture Trustee, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-\_\_\_\_) dated \_\_\_\_\_, 1992 (the "Original Indenture") and the Indenture Trustee's interest in the Lease Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, as supplemented by Lease Supplement No. 1 dated \_\_\_\_\_, 1992 (the "Lease") covering the Aircraft and the two \_\_\_\_\_ model \_\_\_\_\_ aircraft engines with manufacturer's serial numbers \_\_\_\_\_ and \_\_\_\_\_ (the "Engines"), was filed at : .M., C.D.T.;
- (c) Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Indenture") between the Owner Trustee and the Loan Trustee, which amended and restated the Original Indenture covering the Aircraft and the Engines, was filed at : .M., C.D.T.; and
- (d) First Amendment to Lease Agreement (AA 1992 AF-\_\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Lease Amendment") between the Owner Trustee as lessor and the Lessee, which amended the Lease covering the Aircraft and the Engines, was filed at : .M., C.D.T.

Based upon our examination of the above described instruments and of such records of the FAA as we deemed necessary to render this opinion and as were made available to us by the FAA, it is our opinion that:

- (a) the Trust Agreement Amendment was duly filed with the FAA pursuant to and in accordance with the provisions of Sections 44102 and 44103 of the Code;
- (b) the Instrument of Resignation, the Indenture and the Lease Amendment are in due form for recordation by and have been duly filed for recordation with the FAA pursuant to and in accordance with the provisions of Section 44107 of the Code;
- (c) the AC Form 8050 2 Aircraft Bill of Sale conveying title to the Aircraft to the Owner Trustee was duly recorded by the FAA on \_\_\_\_\_, pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_, the Lease (to which was attached the Original Indenture) was duly recorded by the FAA on the same date pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_ and the Original Indenture was duly recorded by the FAA on the same date pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_ ;
- (d) the Aircraft is duly registered in the name of the Owner Trustee pursuant to and in accordance with the provisions of Sections 44102 and 44103 of the Code;
- (e) the Owner Trustee is the owner of legal title to the Aircraft, and the Aircraft and the Engines are free and clear of all Liens (as such term is defined in the Lease), except those created by the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, and the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment;

- (f) the rights of the Owner Trustee and the Lessee under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment, with respect to the Aircraft and the Engines are perfected;
- (g) the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, constitutes a duly and validly perfected first priority mortgage of the Aircraft and the Engines and a duly perfected collateral assignment of all of the right, title and interest of the Owner Trustee in, to and under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment (insofar as such collateral assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code), subject only to the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment;
- (h) none of the Original Indenture, the Lease, the Instrument of Resignation, the Indenture or the Lease Amendment is required to be filed or recorded in any other place within the United States in order to perfect the mortgage of the Aircraft and the Engines or the collateral assignment to the Loan Trustee of the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment (insofar as such collateral assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code), under the applicable laws of any jurisdiction within the United States;
- (i) no other registration of the Aircraft and no filings other than the filings with the FAA which have been effected as described above are necessary to perfect in any jurisdiction within the United States the Owner Trustee's title to and interest in the Aircraft, the rights of the parties under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment, or the Loan Trustee's security interest created by the Original Indenture, as assigned by the Instrument of Resignation and amended and

restated by the Indenture, in and to the Aircraft and the Engines and the collateral assignment of all of the Owner Trustee's right, title and interest in, to and under the Lease, as amended by the Lease Amendment (insofar as such assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code); and

- (j) no authorization, approval, consent, license or order of, or registration or filing with, or the giving of notice to, the FAA Aircraft Registry is required for the valid authorization, delivery or performance of the Original Indenture, the Instrument of Resignation, the Indenture, the Lease and the Lease Amendment, except for such filings as have been effected.

No opinion is herein expressed as to: (i) laws other than the federal laws of the United States; (ii) the validity or enforceability under local law of the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture; and (iii) the recognition of the perfection of the mortgage and collateral assignment created by the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, as against third parties in any legal proceedings outside the United States. Since our examination was limited to records maintained by the FAA Aircraft Registry, our opinion does not cover liens which are perfected without the filing of notice thereof with the FAA, such as federal tax liens, liens arising under Section 1368(a) of Title 29 of the United States Code and possessory artisans' liens, and was subject to the accuracy of FAA personnel in the filing, indexing and recording of instruments filed with the FAA and in the search for encumbrance cross-reference index cards for the Engines.

In rendering this opinion, we have relied upon the opinion of the Assistant Chief Counsel for the Aeronautical Center dated \_\_\_\_\_, 1992 (a copy of which is attached hereto) and upon the past practice of the FAA which is consistent with said opinion. Said opinion is satisfactory as to form and scope and the addressees and their counsel or special counsel are justified in relying thereon.

Although this opinion is not addressed to the General Counsel for the Lessee, special counsel for the Lessee, special counsel for the Owner Trustee or special counsel for the Owner Participant, they may rely upon it as though addressed to them.

Very truly yours,

ROBIN D. JENSON  
For the Firm

RDJ:rpt

## Lessee

American Airlines, Inc.

## Owner Participant

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit Corporation)

## Owner Trustee

Wilmington Trust Company

## Loan Trustee and Pass Through Trustee

State Street Bank and Trust Company of  
Connecticut, National Association

## Loan Participant

[To be inserted]

## Rating Agent

Moody's Investors Service Inc.  
Standard & Poor's Ratings Group

## Initial Bank Lender

The Mitsubishi Trust and Banking Corporation,  
New York Branch

June \_\_, 1995

TO THE PARTIES SET FORTH  
IN SCHEDULE A HERETO

RE: AMERICAN AIRLINES, INC.  
REFUNDING AGREEMENT (AA 1995 PTC SERIES AA)

Ladies and Gentlemen:

We are acting special as counsel to State Street Bank and Trust Company of Connecticut, National Association, individually ("SSB"), and as Pass Through Trustee (the "PASS THROUGH TRUSTEE") under the Pass Through Trust Agreement, Amended and Restated as of February 1, 1992, between American Airlines, Inc. and the Pass Through Trustee, and State Street Bank and Trust Company (the "PARENT GUARANTOR") in connection with the transactions contemplated by (i) that certain Refunding Agreement (AA 1995 PTC Series AA) dated as of June \_\_, 1995 (the "REFUNDING AGREEMENT"), among SSB, as Pass Through Trustee; American Airlines, Inc., as Lessee; AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant; Wilmington Trust Company, as Owner Trustee; SSB, as Loan Trustee; Trust Company Bank, as Original Loan Participant; The Mitsubishi Trust Banking Corporation, New York Branch, as Initial Bank Lender; and NationsBank of Georgia, National Association, as Indenture Trustee, and (ii) the Guarantee (Pass Through Trustee) dated as of June \_\_, 1995 (the "GUARANTEE") from the Parent Guarantor to the Beneficiaries named therein. This opinion is delivered to you pursuant to Section 4(b)(ii) of the Refunding Agreement. Except as otherwise defined herein, terms used herein shall have the meanings set forth in the Refunding Agreement or in the Pass Through Trust Supplements or the Lease (as such terms are defined in the Refunding Agreement).

Our representation of SSB, the Pass Through Trustee and the Parent Guarantor has been as special counsel for the purposes stated above. As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the parties set forth in the Operative Documents and (ii) certificates delivered to us by the management of SSB

and the Parent Guarantor, and have assumed, without independent inquiry, the accuracy of those representations and certificates.

We have examined the Refunding Agreement, the Participation Agreement, the Guarantee, the Pass Through Certificates and the Pass Through Trust Documents, Certificates of the Comptroller of the Currency and the Massachusetts Commissioner of Banks relating to SSB and the Parent Guarantor, respectively, and originals, or copies certified or otherwise identified to our satisfaction, of other such records, documents, certificates, or other instruments as we have deemed necessary or advisable for the purposes of this opinion.

We have assumed the genuineness of all signatures (other than those on behalf of SSB, the Pass Through Trustee and the Parent Guarantor), the conformity to the originals of all documents reviewed by us as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document (other than on behalf of SSB, the Pass Through Trustee and the Parent Guarantor).

When an opinion set forth below is given to the best of our knowledge, or to our knowledge, or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual knowledge or awareness of the individual lawyer in the firm that signed this opinion, the individual lawyers in the firm who have participated directly in the specific transactions to which this opinion relates or in the preparation of this opinion and the partner of the firm responsible for SSB corporate trust matters, and without any special or additional investigation undertaken for the purposes of this opinion.

Each opinion set forth below relating to the enforceability of any agreement or instrument against SSB, the Pass Through Trustee, or the Parent Guarantor, as applicable, is subject to the following general qualifications:

(i) as to any agreement to which SSB, or the Pass Through Trustee, as applicable, is a party, we assume that such agreement is the legal, valid and binding obligation of each other party (other than SSB and the Pass Through Trustee, as the case may be) thereto;

(ii) the enforceability of any obligation of SSB, the Pass Through Trustee, and the Parent Guarantor may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, marshalling

and other similar laws and rules of law affecting the enforcement generally of creditors' rights and remedies (including such as may deny giving effect to waivers of debtors' or guarantors' rights); and

(iii) the enforcement of any rights and the availability of any specific or equitable relief of any kind may in all cases be subject to an implied duty of good faith and to general principles of equity (regardless of whether such enforceability or relief is considered in a proceeding at law or in equity).

Subject to the limitation set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. The opinions expressed in paragraphs 1 through 7 below are limited solely to the internal substantive laws of the State of Connecticut and the federal laws of the United States of America, and the opinions expressed in paragraphs 8, 10, 11, 12 and 13 below are limited solely to the laws of The Commonwealth of Massachusetts and the federal laws of the United States of America. The opinion expressed in paragraph 9 below is limited solely to the internal substantive laws of the State of Connecticut and the internal substantive laws of The Commonwealth of Massachusetts. No opinion is expressed herein as to the application or effect of federal securities laws or as to the securities or so-called "Blue Sky" laws of any state or other jurisdiction. In addition, other than our opinion expressed in paragraph 1 below with respect to the citizenship of SSB, no opinion is expressed as to matters governed by Title 49 of the United States Code, or by any other law, statute, rule or regulation of the United States relating to the acquisition, ownership, registration, use, operation, maintenance, repair, replacement or sale of or the nature of the Aircraft, Airframe or Engines.

With your permission, with respect to paragraphs 1 through 5 below in connection with our opinion relating to the legality, validity and binding effect of the documents there referred to, to the extent that the laws of the State of Connecticut do not govern such documents, we have assumed that the laws of the jurisdictions whose laws govern such documents are not materially different from the internal substantive laws of the State of Connecticut.

In rendering the opinions set forth below in paragraphs 6 and 13 as to certain Connecticut and Massachusetts tax matters, respectively, we have assumed that, for federal income tax purposes, the trusts created by the Pass Through Trust Supplements are not classified as associations taxable as corporations and that the trusts created by the Pass Through Trust Supplements are grantor trusts under subpart E, Part I of Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended.

This opinion is rendered solely for the benefit of those institutions listed on Schedule A hereto and their successors and assigns in connection with the transactions contemplated by the Refunding Agreement and may not be used or relied upon by any other person or for any other purpose.

Based on and subject to the foregoing, we are of the opinion that:

1. SSB is a national banking association duly organized and validly existing in good standing with the Comptroller of the Currency under the laws of the United States of America, is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, and has the corporate power and authority to execute, deliver and carry out, individually or as Pass Through Trustee, as the case may be, the terms of the Refunding Agreement, the Participation Agreement and each of the Pass Through Trust Documents;
2. each of the Refunding Agreement and the Pass Through Trust Documents has been duly authorized, executed and delivered by SSB, individually or as Pass Through Trustee, as the case may be, and, assuming the due authorization, execution and delivery by the other parties thereto and that value has been given, the Refunding Agreement, the Participation Agreement, the Pass Through Certificates and the Pass Through Trust Documents constitute the legal, valid and binding obligations of SSB, individually or as Pass Through Trustee, as the case may be, enforceable against it in such capacities in accordance with their respective terms;
3. the Pass Through Certificates issued on the date hereof have been duly authorized and duly and validly executed, authenticated, issued and delivered by SSB, as Pass Through Trustee, pursuant to the terms and provisions of, and in accordance with the requirements of, each of the Pass Through Trust Documents, as supplemented, and the holders thereof are entitled to the benefits of the Pass Through Trust Agreement, as supplemented, pursuant to which the Pass Through Certificates held by such holder were issued;
4. the execution, delivery and performance by SSB, individually or as Pass Through Trustee, as the case may be, of the Refunding Agreement and each of the Pass Through Trust Documents, the performance by it of the Participation Agreement, and the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to the Refunding Agreement and the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents have been duly authorized by all necessary corporate action on the part of SSB, individually or as Pass Through Trustee,

as the case may be, and do not and did not require any approval of the stockholders of SSB, and such execution, delivery, performance and other actions were not and are not in violation of SSB's Articles of Association or By-laws or of any indenture, mortgage, credit agreement, license or other agreement or instrument, in each case known to us, to which SSB, individually or as Pass Through Trustee, as the case may be, is a party or by which it in either capacity is bound, or of any judgment or order known to us or of any federal law, rule or regulation relating to its banking or trust powers or any Connecticut law, rule or regulation applicable to SSB in either capacity;

5. neither the execution, delivery or performance by SSB, individually or as Pass Through Trustee, as the case may be, of the Refunding Agreement, the Pass Through Certificates and the Pass Through Trust Documents, nor the performance by it of the Participation Agreement, nor the consummation of any of the transactions by SSB, individually or as Pass Through Trustee, as the case may be, contemplated thereby nor the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to the Refunding Agreement or the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents required or requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to, any governmental authority or agency under any existing federal or Connecticut law governing the banking, fiduciary or trust powers of SSB;

6. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the State of Connecticut or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Pass Through Trustee, as the case may be, or by the Lessee, of the Pass. Through Trust Documents., the Participation Agreement or the Refunding Agreement or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Pass Through Certificates pursuant to the Pass Through Trust Documents. Neither SSB, in its individual capacity or as Pass Through Trustee, as the case may be, the trusts created by the Pass Through Trust Documents, any of the Trust Property nor the Loan Trustee in its capacity as trustee, will be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee). Holders of Pass Through Certificates or persons acquiring an interest in Pass Through Certificates who are not residents of or otherwise subject to tax in

Connecticut will not be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof as a result of purchasing, holding, owning (including receiving payments with respect to) or selling a Pass Through Certificate. No applicable Taxes are imposed under the laws of the State of Connecticut or any political subdivision thereof upon or with respect to (a) the offering, registration, registration, issuance, acquisition, modification, assumption, reissuance, refinancing or refunding of Pass Through Certificates or any other documents contemplated thereby and amendments and supplements thereto, (b) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Pass Through Certificates, (c) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by the Pass Through Trustee under the Pass Through Trust Documents or (d) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if SSB had not had its principal place of business in, and not performed, either in its individual capacity or as Pass Through Trustee, as the case may be, any or all of its administrative duties under the Pass Through Trust Documents in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Connecticut;

7. to the best of our knowledge, there are no proceedings pending or threatened against or affecting SSB, either in its individual capacity or as Pass Through Trustee, as the case may be, in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the trusts created by the Pass Through Trust Documents or would question the right, power and authority of SSB in either capacity to enter into or perform its obligations under the instruments referred to in paragraphs 1 and 3 above;

8. the Parent Guarantor is a Massachusetts trust company, duly organized, validly existing and in good standing with the Commissioner of Banks of the Commonwealth of Massachusetts under the laws of the Commonwealth of Massachusetts;

9. all of the shares of the outstanding capital stock of SSB are owned of record by the Parent Guarantor;

10. the Parent Guarantor has full corporate power and authority and legal right to enter into and perform its obligations under the Guarantee,

and the Guarantee has been duly authorized, executed and delivered by duly authorized officers of the Parent Guarantor and is the legal, valid and binding obligation of the Parent Guarantor enforceable against the Parent Guarantor in accordance with its terms;

11. the execution and delivery of the Guarantee and compliance by the Parent Guarantor with all of the provisions thereof do not and will not (i) contravene any law or, (ii) contravene any order known to us of any court or governmental authority or agency applicable to or binding on the Parent Guarantor or (iii) contravene the provisions of its charter documents or by-laws or the provisions of any indenture, mortgage, contract or other agreement, in each case known to us, to which it is a party or by which it or its properties may be bound or affected;

12. neither the execution nor the delivery of the Guarantee by the Parent Guarantor nor the performance by the Parent Guarantor of the Guarantee requires the consent, approval or authorization of, the giving of notice to, the recording or filing, registration or qualification with, or the taking of any other action in respect of any Massachusetts governmental authority on the part of the Parent Guarantor.

13. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the Commonwealth of Massachusetts or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Pass Through Trustee, as the case may be, or by the Lessee, of the Pass Through Trust Documents, the Participation Agreement or the Refunding Agreement or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Pass Through Certificates pursuant to the Pass Through Trust Documents. Neither SSB, in its individual capacity or as Pass Through Trustee, as the case may be, the trusts created by the Pass Through Trust Documents, any of the Trust Property nor the Loan Trustee in its capacity as trustee, will be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee). Holders of Pass Through Certificates or persons acquiring an interest in Pass Through Certificates who are not residents of or otherwise subject to tax in Massachusetts will not be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof as a result of purchasing, holding, owning (including receiving payments with respect to) or selling a Pass Through Certificate. No

applicable Taxes are imposed under the laws of the Commonwealth of Massachusetts or any political subdivision thereof upon or with respect to (a) the offering, registration, reregistration, issuance, acquisition, modification, assumption, reissuance, refinancing or refunding of Pass Through Certificates or any other documents contemplated thereby and amendments and supplements thereto, (b) the payment of the principal of, or interest or premium on, or other amounts payable with respect to, any or all of the Pass Through Certificates, (c) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by the Pass Through Trustee under the Pass Through Trust Documents or (d) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if SSB had not performed, either in its individual capacity or as Pass Through Trustee, as the case may be, any or all of its administrative duties under the Pass Through Trust Documents in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the Commonwealth of Massachusetts.

This opinion is rendered to you at the request of SSB, as Pass Through Trustee, and the Parent Guarantor, pursuant to the Refunding Agreement and SSB, as Pass Through Trustee, and the Parent Guarantor have consented to the opinions expressed herein. We have discussed with SSB, as Pass Through Trustee, and the Parent Guarantor the consequences of their request for and consent to the rendering of the opinions expressed herein.

Very truly yours,

BINGHAM, DANA & GOULD

## SCHEDULE A

American Airlines, Inc., as Lessee

State Street Bank and Trust Company of Connecticut, National Association, as  
Loan Trustee

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as  
Owner Participant

Wilmington Trust Company, as Owner Trustee

Trust Company Bank, as Original Loan Participant

## AMENDMENT TO PARTICIPATION AGREEMENT

The Participation Agreement is amended as follows:

1. AMENDMENT OF RECITALS TO THE PARTICIPATION AGREEMENT. The fifth whereas clause is amended by deleting the parenthetical in clause (ii) thereof and substituting therefor the following: "(individually, as more particularly defined in the Lease referred to below, a "Certificate", and collectively, the "Certificates")".

2. AMENDMENT OF SECTION 1 OF THE PARTICIPATION AGREEMENT. Section 1(c) and all references thereto in the Participation Agreement are hereby deleted.

3. AMENDMENT OF SECTION 6 OF THE PARTICIPATION AGREEMENT. Section 6 is amended by deleting the words "premium, if any," and substituting therefor the words "Make-Whole Amount, if any, Swap Breakage Loss, if any,". Section 6 is further amended by deleting the word "2.05" and substituting therefor the word "2.09".

4. AMENDMENT OF SECTION 7 OF THE PARTICIPATION AGREEMENT.  
(a) Section 7(b)(2) is amended by deleting the words "any Loan Participant" from the first place where they appear and substituting therefor the words "the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender, the Pass Through Trustee (in both its individual capacity and as Pass Through Trustee), each Original Loan Participant (with respect to matters arising prior to the Refunding Date)"; by inserting following clause (b) in the last parenthetical therein the words "(c) the Pass Through Trustee (in both its individual capacity and as Pass Through Trustee) together with the Pass Through Trustee, (d) the Initial Bank Lender, together with the Initial Bank Lender, (e) any Permitted Transferee that is a Bank Lender, together with such Permitted Transferee,"; and by renaming clauses (c), (d) and (e) in such parenthetical as clauses (f), (g) and (h), respectively. Renamed clause (f) of Section 7(b)(2) is amended by inserting the word "Original" before the words "Loan Participant" each time they appear. The following sentence shall be inserted at the end of Section 7(b)(2): "No holder of a Pass Through Certificate shall be an Indemnitee for purposes hereof."

(b) Clause (i) of the first sentence of Section 7(b)(3) is amended by adding the words ", the Refunding Agreement, the Pass Through Trust Documents" after the words "the Operative Documents"; clause (vi) of the first sentence of Section 7(b)(3) is amended by inserting after the words "any Certificates or" the words "Pass Through Certificates or".

(c) Clause (iv) of Section 7(b)(4) is amended by inserting the words "or any Pass Through Trust Document" after the words "Operative Document".

(d) Clause (vi) of Section 7(b)(4) is amended by inserting the words "or Pass Through Certificates" after the word "Certificates"; and by deleting everything in such clause (vi) following the words "without limitation," and substituting therefor the words "Article 8 thereof (it being understood that the cancellation of any Loan Certificates in connection with a refinancing under Section 17 or 20 shall not constitute a disposition of Loan Certificates for purposes of this Section 7(b)(4)(vi))".

(e) Clause (viii) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trustee," after the words "Indenture Trustee", and by inserting the words "or the Pass Through Trust Documents," after the words "Trust Indenture".

(f) Clause (ix) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trust Documents" after the words "Operative Documents", each time they appear.

(g) Clause (x) of Section 7(b)(4) is amended by adding the words "or an event which would constitute such an Event of Default but for the requirement that notice be given or time elapse or both" after the word "Lease".

(h) Clause (xi) of Section 7(b)(4) is amended by inserting the word "Group" after the words "Related Indemnitee".

(i) Clause (xii) of Section 7(b)(4) is amended by deleting the words "9(e)" and "9(g)" and by inserting the words ", Section 12 of the Refunding Agreement" after the word "hereof."

(j) Clause (xiii) of Section 7(b)(4) is amended by adding the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(k) Section 7(b)(4)(xiv) is amended in its entirety to read as follows:

"Any Claim to the extent that such Claim relates to amounts payable by the Owner Trustee to the Loan Trustee in respect of the Equipment Notes or otherwise under the Trust Indenture with respect to (x) Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable as a result of a redemption or purchase of any Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of the Lessee or (y) an Indenture Default that does not constitute a Lease Event of Default;"

(l) Section 7(b)(4)(xv) is amended by deleting the period at the end thereof and replacing it with a semicolon.

(m) New clauses (xvi), (xvii), (xviii) and (xix) of Section 7(b)(4) are hereby added to read as follows:

"(xvi) Any Claim of the Pass Through Trustee or any Loan Participant to the extent that it is indemnified by the Lessee pursuant to the Pass Through Trust Agreement (including, without limitation, Section 7.06 thereof);

"(xvii) Any Claim that relates to any Actual Swap, Swap Transaction or Swap Participation except for Swap Breakage Losses payable by the Lessee pursuant to Section 3(c), 9 or 10 of the Lease;

"(xviii) Any Claim that relates to any cost, loss or expense in the nature of an Additional Cost, it being understood that obligations with respect to such Additional Costs are set forth in their entirety in Section 14 of the Refunding Agreement and in Section 3(c) of the Lease; and

"(xix) Any Claim to the extent attributable to the offer, sale, assignment, transfer, participation or other disposition, whether voluntary or involuntary, by any Bank Lender of any Bank Equipment Note or any other

interest in the Indenture Estate or arising under the Operative Documents (other than a transfer resulting from the exercise of any remedies provided for in Section 15 of the Lease or under the Indenture as a result of an Event of Default under the Lease or of a Bank Lender's Bank Equipment Note pursuant to Section 14(b) of the Refunding Agreement)."

(n) Section 7(b)(7) is amended by deleting the words "Section 7.01 of the Trust Indenture" and inserting in substitution therefor the words "Section 9.05 of the Trust Indenture".

(o) Section 7(b)(8) is amended by deleting the second sentence thereof.

(p) Section 7(c)(2)(iv) is amended by deleting the word "2.16" and substituting the word "7.03" therefor.

(q) Section 7(c)(2)(v) is amended by deleting the word "2.16" and substituting the word "7.03" therefor.

(r) Clause (D) of Section 7(c)(2)(ix) is amended by deleting the words "any Loan Participant" after the words "Indenture Estate," and substituting the words "any Bank Lender" therefor.

(s) Section 7(c)(2)(x) is amended by deleting the words "Loan Participant," and substituting the words "Bank Lender," therefor.

(t) Section 7(c)(2)(xi) is amended by deleting the words "or, in the case of any Loan Participant, if such failure was the result of the Indenture Trustee's negligence or the Indenture Trustee's actions or failure to act in accordance with instructions of such Loan Participant".

(u) Section 7(c)(2)(xii) is amended by deleting the words "any Loan Participant,".

(v) Section 7(c)(2)(xv) is amended by deleting it in its entirety and substituting therefor the following:

"(xv) In the case of any Bank Lender, Taxes which are imposed by any country, taxing authority or governmental subdivision thereof or therein or any international authority except to the extent that such Taxes would have been imposed had the transactions contem-

plated by (and the enforcement of) the Refunding Agreement and the other Operative Documents been the sole connection between such country, taxing authority, governmental subdivision or international authority and such Bank Lender; provided that the exclusion set forth in this subparagraph (xv) shall not apply to Taxes imposed by the federal government of the United States or any taxing authority thereof;"

(w) Section 7(c)(2)(xvi) is amended by deleting it in its entirety and substituting therefor the following:

"(xvi) In the case of any Bank Lender, Taxes which result from the willful misconduct or gross negligence of any Bank Lender or acts of any Bank Lender not permitted or contemplated by the Refunding Agreement and the Operative Documents;"

(x) Section 7(c)(2) is amended by adding to the end thereof the following:

"(xvii) In the case of any Bank Lender, Taxes that would not have been imposed but for the breach by any Bank Lender of any of its representations, warranties or covenants contained in the Refunding Agreement or any other Operative Document;

(xviii) In the case of any Bank Lender, Taxes imposed on or with respect to the net or gross income, capital, receipts, franchises or conduct of business by the federal government of the United States or any taxing authority of such federal government; provided that the exclusion set forth in this subparagraph (xviii) shall not apply to any such Taxes imposed on a Bank Lender that is a Treaty Lender to the extent such Taxes (x) result from a change after the date such Bank Lender becomes a Bank Lender in an applicable treaty (including the entering into of a new treaty but excluding the entry into force of the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital signed August 31, 1994), in the Code or in any other applicable law, other than, in the case of a Treaty Lender whose Applicable Jurisdiction is Norway or Austria, a change in or inclusion of an "anti-treaty shopping", "limitation of benefits" or similar provi-

sion in the Norwegian or Austrian treaty (including the entering into of a new treaty), in the Code or in any other applicable law, and (y) would have been imposed had the transactions contemplated by (and the enforcement of) the Operative Documents been the sole connection between such Bank Lender and the United States;

(xix) In the case of any Bank Lender, Taxes that result from the breach by the Indenture Trustee of any of its representations, warranties or covenants contained in this Agreement or any other Operative Document; and

(xx) In the case of any Bank Lender, Taxes to the extent such Taxes exceed the amount of Taxes that would have been imposed and indemnified against had there not been a grant of a participation in the loan evidenced by its Bank Equipment Notes by any Bank Lender."

(y) Section 7(c)(3) is amended by deleting the words "no Loan Participant" and substituting the words "no Bank Lender" therefor and by deleting the words "any Loan Participant" and substituting the words "any Bank Lender" therefor.

(z) Section 7(c)(10) is amended by deleting the words "any Loan Participant" and substituting the words "any Bank Lender" therefor.

(aa) Section 7(c)(11) is amended by deleting the words "each Loan Participant," and substituting the words "the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender," therefor; by inserting the words "(but shall not include the Pass Through Trustee, any Loan Participant (other than the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender), any holder of a Pass Through Certificate or any holder of a Pass Through Equipment Note)" between the words "Indenture Estate" and ", and any reference"; by deleting the words ", any Loan Participant" and substituting the words ", any Bank Lender" therefor; by deleting the words "such Loan Participant," and substituting the words "such Bank Lender," therefor; by deleting the words "to any Loan Participant" and substituting the words "to any Bank Lender" therefor.

(bb) Section 7(c) is amended by adding at the end thereof the following:

"(13) Reverse Indemnity. Notwithstanding anything to the contrary provided in this Section 7(c), each Bank Lender shall indemnify the Lessee, the Owner Participant and each of their successors and permitted assigns ("Bank Lender Indemnitees") against (1) any Taxes imposed on such Bank Lender or on payments made (or deemed made) to such Bank Lender which are paid by or asserted against the Owner Participant, the Indenture Trustee or the Lessee as payor or withholding agent, and which are not required to be indemnified by Lessee and (2) any Taxes described in Section 7(c)(2)(xvi) or (xvii) and attributable to such Bank Lender, together in each case with any related liability or expense incurred by such Bank Lender Indemnitee. Each Bank Lender and the Indenture Trustee each agrees to furnish from time to time to the Lessee or to such other Person as the Lessee may designate such duly executed and properly completed forms, statements and other documentation ('Tax Forms') and assistance as may be necessary or appropriate in order to claim any reduction of or exemption from any Taxes which the Lessee may be required to indemnify against hereunder or otherwise pay, if such reduction or exemption is available to such Tax Indemnitee. Any such Tax Forms (other than Tax Forms described in Section 10(d)(iii) of the Refunding Agreement) shall be provided within 30 days after receipt of written notice from the Lessee specifying the Tax Forms to be completed. The Lessee shall have no obligation to notify any Bank Lender or the Indenture Trustee as to any Tax Forms described in Section 10(d)(iii) of the Refunding Agreement. If any Bank Lender requests compensation for any amounts for which the Lessee must indemnify such Bank Lender in accordance with this Section 7(c), such Bank Lender may be required to transfer all of its rights and obligations as a 'Bank Lender' under its Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture in accordance with Section 14(b) of the Refunding Agreement."

(cc) Section 7(d) is amended by inserting the words "or any of the Pass Through Trust Documents" between the words "Operative Documents" and ".".

## 5. AMENDMENT OF SECTION 9 OF THE PARTICIPATION AGREEMENT.

(a) The second sentence of Section 9(c) is amended by inserting the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(b) The first sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent". The third sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent". Section 9(d) is further amended by deleting all references to the Original Loan Participant contained therein.

(c) Section 9(e) is amended by deleting it in its entirety and substituting therefor the following:

"(e) [Intentionally Omitted]."

(d) Section 9(g) is amended by deleting it in its entirety and substituting therefor the following:

"(g) [Intentionally Omitted]."

(e) Section 9(j) is amended by deleting the words "Section 3.07(b)" each time they appear and substituting therefor the words "Section 9.03".

(f) Section 9(k) is amended by deleting it in its entirety and substituting therefor the following:

(k) The Loan Trustee, and by its acceptance of an Equipment Note, each holder thereof (and each Pass Through Trustee, so long as the relevant Pass Through Trust Supplement is in effect), hereby waives to the fullest extent permitted by law the benefit of the provisions of Section 1111(b) of Title 11 of the United States Code to the extent such provisions give recourse against the Owner Trustee (in its individual capacity) and the Owner Participant on account of any amount payable as principal of, Swap Breakage Loss, if any, Make-Whole Amount, if any, and interest on the Equipment Notes. If (i) all or any part of the Trust Estate becomes the property of, or the Owner Participant becomes, a debtor subject to the reorganization provisions of the Bankruptcy Reform Act

of 1978 or any successor provision, (ii) pursuant to such reorganization provisions the Owner Trustee (in its individual capacity) or the Owner Participant is required, by reason of the Owner Trustee (in its individual capacity) or the Owner Participant being held to have recourse liability to a holder of an Equipment Note, a Pass Through Trustee or the Loan Trustee, directly or indirectly, to make payment on account of any amount payable as principal, Swap Breakage Loss, if any, Make-Whole Amount, if any, or interest on the Equipment Notes and (iii) such holder, such Pass Through Trustee or the Loan Trustee actually receives any Excess Payment (as hereinafter defined) which reflects any payment by the Owner Trustee (in its individual capacity) or the Owner Participant on account of (ii) above, then such holder, such Pass Through Trustee or the Loan Trustee shall promptly refund to the Owner Trustee or the Owner Participant (whichever shall have made such payment) such Excess Payment. For purposes of this Section 9(k), "Excess Payment" means the amount by which such payment exceeds the amount which would have been received by such Holder, such Pass Through Trustee or the Loan Trustee if the Owner Trustee (in its individual capacity) or the Owner Participant had not become subject to the recourse liability referred to in clause (ii) above. Nothing contained in this Section 9(k) shall prevent any holder of an Equipment Note, any Pass Through Trustee or the Loan Trustee from enforcing any personal recourse obligation (and retaining the proceeds thereof) of the Owner Trustee (in its individual capacity) or the Owner Participant under the Refunding Agreement, this Participation Agreement or the Trust Indenture (and any exhibits or annexes thereto).

(g) Section 9(m) of the Participation Agreement is amended by deleting it in its entirety and substituting therefor the following:

"(m) Each of the Owner Participant and the Owner Trustee hereby agrees, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; provided that prior to any such change in the country of

registry of the Aircraft (other than a change in country of registry that results in the registration of the Aircraft under the laws of the United States of America), the Owner Participant, the Owner Trustee and the Bank Lenders shall have received from counsel to the Lessee reasonably satisfactory to the Owner Participant, the Owner Trustee and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes an opinion to the effect that (i) the terms of any relevant sublease and the Lease are legal, valid, binding and enforceable in such country to substantially the same extent as such documents are at the time enforceable in the United States, (ii) there is no statutory, regulatory or case law in such country imposing tort liability on the owner of an aircraft not in possession thereof, or on a lender providing funds for the purchase of an aircraft, under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such an owner or lender under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes, such opinion shall be waived if insurance reasonably satisfactory to the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes is provided by the Lessee to cover the risk of such liability), (iii) such re-registration will not result in the imposition by such country of any Taxes on the Owner Trustee, the Owner Participant or any Bank Lender for which the Lessee is not required to indemnify the Owner Participant, the Owner Trustee or any Bank Lender, as the case may be (provided that in lieu of the opinion referred to in this clause (iii) the Lessee may indemnify the Owner Participant, the Owner Trustee or the Bank Lenders, as the case may be, for any Taxes imposed by such country in connection with or relating to the transactions contemplated by the Operative Documents which would not have been imposed but for such re-registration); (iv) there exist no possessory rights in favor of the Lessee or any sublessee under the laws of such country

which would, upon bankruptcy of or other default by the Lessee or any sublessee, prevent the return of the Aircraft to the Owner Trustee in accordance with and when permitted by the terms of Sections 14 and 15(a) of the Lease upon the exercise by the Owner Trustee of its remedies under Section 15(a) of the Lease; (v) it is not necessary for the Owner Participant or the Owner Trustee to qualify to do business in such jurisdiction solely as a result of the proposed re-registration; (vi) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Lessee shall have provided contemporaneously with such re-registration insurance reasonably satisfactory to the Lessor, the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes covering the risk of requisition of use of the Aircraft by the government of such country so long as the Aircraft is registered under the laws of such country); (vii) the Lessee shall have paid or made provision for the payment of all expenses of the Owner Participant, the Owner Trustee and the Bank Lenders in connection with such change in registration; and (viii) solely in the case of the Bank Lenders, after giving effect to such change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a valid and duly perfected lien and that all filing, recording or other action necessary to perfect and protect the Lien of the Indenture has been accomplished (or if such opinion cannot be given at the time by which the Bank Lenders have been requested to consent to a change in registration, (I) the opinion shall detail what filing, recording or other action is necessary and (II) the Bank Lenders shall have received a certificate from the Lessee that all possible preparations to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Bank Lenders on or prior to the effective date of such change in registration); and provided, further, that (x) the Owner Trustee, the Owner Participant and the Bank Lend-

ers shall have received prior to or contemporaneously with such re-registration (1) a certificate of insurance signed by an independent insurance broker to the effect that the Aircraft is and after such re-registration will continue to be insured in such country in accordance with the requirements of Section 11 of the Lease, (2) a certificate signed by a duly authorized officer of the Lessee stating that no Event of Default exists as of the date of such certificate and no Event of Default will occur or exist upon or resulting from such re-registration, (3) evidence and assurances reasonably satisfactory to the Owner Trustee, the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes, that the aircraft and engine maintenance standards under the laws of such country of re-registration are substantially similar to those required by the central civil aviation authority of any of the United States, the United Kingdom, the Federal Republic of Germany, France, Canada or Japan, and (4) in the case of the Owner Participant only, assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have made arrangements reasonably satisfactory to the Owner Participant that all payments to be made by or on behalf of the Lessee under the Operative Documents and by any sublessee under the relevant sublease will be paid in U.S. Dollars) and (y) the Lessee shall not cause the Aircraft to be registered pursuant to Section 7(a)(i) of the Lease under the laws of any foreign jurisdiction without the prior written consent of the Owner Participant if (1) the civil aviation laws of such foreign jurisdiction impose unusual requirements on registrants of civil aircraft, and (2) the Owner Participant would be required to comply with such unusual requirements upon the registration of the Aircraft in such foreign jurisdiction, and the Owner Participant's compliance therewith would result in a material burden on the Owner Participant's business activities."

(h) Section 9(n) is amended by deleting it in its entirety and substituting therefor the following:

"(n) Subject to Section 7.02 of the Trust Indenture, the Loan Trustee hereby agrees, for the benefit and at the expense of the Lessee, to cooperate with the Owner Trustee and the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; and the Lessee agrees for the benefit of the Loan Trustee that so long as any Equipment Note remains outstanding, the Lessee will not cause a change in registration unless such change is in compliance with such Section 7.02."

(i) Section 9(o) is amended by deleting it in its entirety and substituting therefor the following:

"(o) [Intentionally Omitted]."

(j) Section 9(p) is amended by deleting it in its entirety and substituting therefor the following:

"(p) The Owner Trustee shall, promptly upon receipt of monies from the Loan Trustee pursuant to Section 7.01 or 10.04 of the Trust Indenture, pay such monies to the Lessee."

(k) Section 9(q) is amended by deleting it in its entirety and substituting therefor the following:

"(q) [Intentionally Omitted]."

(l) Section 9(r) is amended by deleting it in its entirety and substituting therefor the following:

"(r) [Intentionally Omitted]."

6. AMENDMENT OF SECTION 10 OF THE PARTICIPATION AGREEMENT.

Section 10 is amended by adding the following at the end thereof:

"The Lessee hereby consents in all respects to the execution and delivery of the Trust Indenture and to all of the terms thereof, and the Lessee acknowledges receipt of an executed counterpart of the Trust Indenture. The Owner Participant, the Owner Trustee, the Pass Through Trustee and the Loan Trustee hereby agree that the provisions of Sections 7.02 and 7.03 of the Indenture are hereby incorporated by reference herein for the benefit of the Lessee. Notwithstanding the

foregoing, the Loan Trustee and the Owner Trustee hereby agree for the benefit of the Lessee that the Trust Indenture shall not be amended, modified or supplemented without the prior written consent of the Lessee if such amendment, modification or supplement would adversely affect the Lessee. The Loan Trustee and the Owner Trustee agree to furnish promptly to the Lessee copies of any amendment, modification or supplement to any Operative Document to which the Lessee is not a party."

7. AMENDMENT OF SECTION 12 OF THE PARTICIPATION AGREEMENT.

The first sentence of Section 12 is amended by inserting the words ", the Refunding Agreement" after the words "this Agreement". Section 12 is further amended by inserting the word "Original" before the words "Loan Participant" each time they appear.

8. AMENDMENT OF SECTION 13 OF THE PARTICIPATION AGREEMENT.

(a) The first sentence of Section 13 is amended by deleting the words "each Loan Participant" and substituting therefor the words "the Pass Through Trustee".

(b) Paragraph (A) of Section 13 is amended by inserting the words ", the Pass Through Trustee" after the words "Owner Participant", by deleting the words "the Original Loan Participant" and by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents".

(c) Clause (i) of paragraph (E) of Section 13 is amended by inserting the words "the Pass Through Trust Documents (for so long as any Pass Through Certificate is outstanding)," after the words "the Lease,"; the third to last sentence of paragraph (E) is amended by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents".

9. AMENDMENT OF SECTION 15 OF THE PARTICIPATION AGREEMENT.

(a) Section 15(a) is amended by deleting the definitions of "Break Funding Gain", "Debt Rate", "Interest Period", "LIBOR Loan", "LIBOR Rate", "London Business Day", "Majority in Interest of Certificate Holders", "New York Business Day", "Permitted Transferee", "Short Period Rate Loan" and "Short Period Rate". Section 15(a) is further amended by inserting the following definitions in alphabetical order:

"`Actual Swap' means (x) with respect to the Initial Bank Lender, the Swap Transaction and (y) with respect to any other Bank Lender, that portion, if any, of the Swap Transaction assigned to such Bank Lender as contemplated by Exhibit N to the Refunding Agreement.

`Additional Cost' has the meaning set forth in Section 14 of the Refunding Agreement.

`Bank Lender' has the meaning set forth in the Trust Indenture.

`Break Funding Amount' for any Bank Lender means the Swap Breakage Gain or Swap Breakage Loss, as the case may be, determined with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement, and, for all of the Bank Lenders, shall be the aggregate of the Break Funding Amounts determined for each of the Bank Lenders as provided in such Exhibit N.

`Certificate' has the meaning set forth in the Lease.

`Exempt Lender' means (a) a commercial banking institution that is organized under the laws of the United States or any State thereof or the District of Columbia or (b) a commercial banking institution that (i) is organized under the laws of Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway, Spain, Sweden, Switzerland or the United Kingdom and (ii) is and will, in the absence of a change in applicable United States federal tax laws after the date it acquires its Bank Equipment Notes, be entitled to a complete exemption from withholding of United States federal income taxes for all income derived by it from the transactions contemplated by the Operative Documents by reason of such income being effectively connected with the conduct of a trade or business within the United States, and that, in the case of either clause (a) or (b) above, is acting and will act for its own account and not as a conduit or agent for any other Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of the Refunding Agreement.

`Federal Aviation Act' or `Federal Aviation Act of 1958, as amended' has the meaning set forth in the Lease.

`Indenture Trustee' means the Loan Trustee (including any successor Loan Trustee) under the Trust Indenture.

`Initial Bank Lender' has the meaning set forth in the Refunding Agreement.

`Lender Liens' means Loan Participant Liens (as such term is defined in the Lease Agreement).

`Lending Office' has the meaning set forth in Section 14 of the Refunding Agreement.

`Loan Participant' has the meaning set forth in the Trust Indenture.

`Other Indentures' means and includes the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995, between Wilmington Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, and the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995, between Wilmington Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee.

`Outstanding' or `outstanding', when used with respect to any Bank Equipment Note, has the meaning set forth in the Trust Indenture.

`Pass Through Trust Agreement' means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`Pass Through Trust Documents' means the Pass Through Trust Agreement and the Pass Through Trust Supplements.

`Pass Through Trust Supplement' means Pass Through Trust Supplement No. 1, dated as of June 15, 1995, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`QIB' means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

`Refunding Agreement' means that certain Refunding Agreement (AA 1995 PTC Series AA) dated as of June 2, 1995, among the Lessee, the Owner Participant, the Lessor, the Initial Bank Lender, the Pass Through Trustee under each Pass Through Trust Supplement, the Original Loan Participant, the Indenture Trustee and the Loan Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`Refunding Date' has the meaning set forth in the Refunding Agreement.

`Regulatory Change' means, (a) with respect to the Initial Bank Lender, any change after the date of the Refunding Agreement, and (b) with respect to any Permitted Transferee, any change after the date such Permitted Transferee acquires its Bank Equipment Notes, in (i) in the case of a Permitted Transferee that is described in clause (a) of the definition of "Exempt Lender", United States Federal or state laws or regulations or (ii) in the case of the Initial Bank Lender or a Permitted Transferee that is described in clause (b) of the definition of "Exempt Lender", (x) United States Federal or state laws or regulations or (y) the laws or regulations of the country referred to in such clause (b) of such definition in which such Permitted Transferee is organized, as the case may be, or (iii) in the case of a Permitted Transferee that is a Treaty Lender, the laws or regulations of the Applicable Jurisdiction in which such Permitted Transferee is organized, or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including the Initial Bank Lender or such Permitted Transferee, of or under any United States Federal or state laws or regulations or the laws or regulations of any such applicable country (whether

or not having the force of law) by any court or government or monetary authority charged with the interpretation or administration thereof.

`Replacement Lender' has the meaning set forth in the Refunding Agreement.

`Section 20 Refinancing' means the refinancing under the Refunding Agreement."

`Swap Breakage Gain' means, as to any Bank Lender, the amount determined as such with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement.

`Swap Breakage Loss' means, as to any Bank Lender, the amount determined as such with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement.

`Swap Counterparty' has the meaning set forth in Exhibit N to the Refunding Agreement.

`Swap Participation' means, with respect to any Bank Lender, a risk participation or swap transaction in respect of the Swap Transaction between such Bank Lender and the Initial Bank Lender covering the amortizing principal amount of such Bank Lender's Bank Equipment Notes.

`Swap Transaction' has the meaning set forth in Exhibit N to the Refunding Agreement.

`Treaty Lender' means a commercial banking institution that (a) is organized under the laws of an Applicable Jurisdiction, (b) is and will, in the absence of a change in applicable law after the date it acquires its Bank Equipment Notes, be entitled to a complete exemption from United States federal income taxes for all income derived by it from the transactions contemplated by the Operative Documents under an income tax treaty between the United States and such Applicable Jurisdiction, (c) is engaged in the active conduct of a banking business in such Applicable Jurisdiction and holds its Bank Equipment Notes or Participation, as the case may be, in connection with such banking business, (d) is acting and will act for its own account and not as a conduit or agent for any other

Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of the Refunding Agreement and (e) in the case of a commercial banking institution whose Applicable Jurisdiction is France, would be entitled to the complete exemption described in clause (b) above under the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital signed August 31, 1994, should such treaty enter into force."

Section 15(a) is further amended by deleting the definitions of "Applicable Jurisdiction", "Indenture or Trust Indenture", "Permitted Transferee" and "Operative Documents" and replacing them with the following:

"`Applicable Jurisdiction' means Austria, France, Germany, Norway, The Netherlands or the United Kingdom.

`Indenture' or `Trust Indenture' shall have the meaning set forth in the Lease.

`Operative Documents' shall have the meaning set forth in the Lease.

`Permitted Transferee' means any Person that (a) is not a commercial air carrier; (b) is a QIB; (c) is either an Exempt Lender or a Treaty Lender; and (d) is acquiring one or more Bank Equipment Notes in an aggregate principal amount upon issuance of at least \$5,000,000."

(b) The definition of "Transaction Costs" in Section 15(a) is hereby amended by deleting the words "Section 18(a) hereof" and substituting therefor the words "the Lease".

(c) Section 15(c) is amended by deleting the words "to any party to this Agreement to its address or telex number set forth below the signature of such party at the foot of this Agreement" and substituting therefor the words "if to the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Loan Trustee, the Pass Through Trustee or the Initial Bank Lender, at their respective addresses or telex or facsimile numbers set forth below

the signatures of such parties at the foot of the Refunding Agreement".

10. AMENDMENT OF SECTION 16 OF THE PARTICIPATION AGREEMENT.

(a) Section 16(a) is amended by deleting it in its entirety and substituting therefor the following:

"(a) [Intentionally Omitted]".

(b) The second sentence of Section 16(b) is amended by deleting the words "each Loan Participant" and substituting therefor the words "the Pass Through Trustee and each Bank Lender"; and the third sentence of Section 16(b) of the Participation Agreement is deleted in its entirety.

(c) Clause (A) of Section 16(c)(i) is amended by inserting the words "and the Indenture Trustee" after the words "of the Lessee".

(d) Clause (E) of Section 16(c)(i) is amended by inserting the words ", the Pass Through Trustee (unless the Lien of the Trust Indenture is discharged)" after the first parenthetical.

(e) Clause (F) of Section 16(c)(i) is amended by inserting the words ", the Pass Through Trustee (unless the Lien of the Trust Indenture is discharged)" after the first parenthetical.

11. AMENDMENT OF SECTION 17 OF THE PARTICIPATION AGREEMENT.

(a) Section 17 is amended in its entirety to read as follows:

"SECTION 17. Optional Redemption of Certificates. (a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Equipment Notes issued under the Trust Indenture or an optional redemption of all of the Equipment Notes of the same maturity and bearing the same interest rate, or held by the same Bank Lender, issued under the Trust Indenture pursuant to Section 6.01(b)(2) or (3) of the Trust Indenture (in each case, such term to include the Equipment Notes originally issued under the Trust Indenture and any refunding indebtedness pursuant to this Section 17), as part of a refunding or refinancing

operation. Promptly on receipt of such request, the Owner Participant will negotiate promptly in good faith to conclude an agreement with the Lessee as to the terms of such refunding or refinancing operation and upon such agreement:

(i) the Lessee, the Owner Participant, the Loan Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 17, the "Refinancing Date") of United States dollar-denominated debt securities in an aggregate principal amount equal to the sum of the principal amount of the Equipment Notes to be redeemed, on the Refinancing Date, and, subject to clause (w) of Section 17(a)(ii), all interest accrued thereon to the Refinancing Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Equipment Notes on the Refinancing Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Refinancing Date is not a Lease Period Date, the Lessee shall on the Refinancing Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Equipment Notes then being redeemed on the Refinancing Date in the event that such interest is not financed through the issuance of debt securities on the Refinancing Date, (x) Basic Rent payable in respect of the period from and after the Refinancing Date shall be recalculated to preserve the Owner Participant's Revised Net Economic Return, (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Re-

financing Date shall be appropriately recalculated to preserve the Owner Participant's Revised Net Economic Return, and (z) the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated as provided in Section 18;

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 17 in like manner as the Equipment Notes issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will materially increase the liabilities of or impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that (v) the Lessee shall not request that less than all of the Equipment Notes issued under the Trust Indenture be redeemed as part of a refunding operation hereunder unless it simultaneously requests that all the outstanding equipment notes held in the same Pass Through Trust or by the same Bank Lender issued under the Other Indentures be simultaneously redeemed, (w) there shall be no more than two such refundings or refinancings (not including the Section 20 Refinancing), (x) if within 15 days after receipt of a request from the Lessee to effect a refunding or refinancing pursuant to this Section 17, which request specifies the proposed structural terms and the amount thereof, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the refunding or refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Partici-

pant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the refunding or refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect such refunding or refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, a refinancing or refunding will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes, (y) no such refinancing or refunding shall require an increase in the amount of the Owner Participant's investment in the beneficial ownership of the Aircraft or shall cause the ratio of the newly issued debt to the Owner Participant's then outstanding investment in the Aircraft to be more than 4 to 1 and (z) except with respect to matters relating to taxes, no such refunding or refinancing will materially increase the liabilities of or impair the rights of the Owner Participant. In addition, neither the refunding or refinancing, nor any related adjustment of Basic Rent, shall increase or decrease the periodic earnings (as defined in Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board) of the Owner Participant for any calendar year in the period (if any) from the date of such refunding or refinancing to December 31, 1998 each by an amount greater than 10% of the amount of earnings expected for each such calendar year immediately prior to such refunding or refinancing.

"(b) The Equipment Notes, and any other debt instruments issued in connection with any refunding or refinancing operation permitted by this Section 17, shall not be subject to optional redemption by the

Owner Trustee without the consent of the Lessee, except as provided in the Trust Indenture."

12. AMENDMENT OF SECTION 18 OF THE PARTICIPATION AGREEMENT.

(a) Paragraph (a) of Section 18 is amended in its entirety to read as follows:

"(a) Calculation of Adjustments. In the event that (A) the Transaction Costs are less or more than 1.0994% of Lessor's Cost, or (B) prior to the acceptance of the Aircraft on the Delivery Date: (1) there shall have occurred a Change in Tax Law and (2) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 of the Participation Agreement to decline to proceed with the transaction, or (C) a refinancing or refunding as contemplated by Section 17 hereof occurs, or (D) the Delivery Date is other than July 9, 1992, or (E) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (as defined in the Original Participation Agreement (after adjustment for any Excess Payment Differential Amount) (as defined in the Original Participation Agreement) is other than \$1,148,975.21 then, in each case, the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values, Termination Values and the Excess Payment Amount with respect to the Term (i) to preserve the Owner Participant's Revised Net Economic Return and (ii) to minimize, to the greatest extent possible, consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in the event of a refinancing or refunding referred to in clause (C) of the preceding sentence, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in a manner consistent with the procedures specified in Section 20(c) of the Original Participation Agreement. In performing any such recalculations, the Owner Participant shall utilize the same methods and assumptions used by the Owner Participant in the calculation of the schedules included in the Amended and Restated Rent Schedule dated as of the Refunding Date, as such assumptions may be changed as a result of the event described in clause (A), (B), (C), (D) or (E) of the second pre-

ceding sentence necessitating such recalculation or due to the prior occurrence of any such event; provided that, Basic Rent, as so recomputed, shall comply with the requirements of Section 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

(b) Paragraph (b) of Section 18 is amended by deleting the words "Assumed Debt Rate" in each place they appear and substituting therefor the words "Average Certificate Rate".

13. DELETION OF SECTION 20 OF THE PARTICIPATION AGREEMENT. Section 20 is hereby deleted and the words "[Intentionally Omitted]" substituted therefor.

14. AMENDMENT OF SECTION 21 OF THE PARTICIPATION AGREEMENT.

(a) The penultimate sentence of Section 21(b) is amended by inserting at the end of the sentence "or (i) in the case of such enforcement against the Bank Lenders, by consent of Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes or (ii) to the extent required by the Indenture, with the consent of the Pass Through Trustee". Section 21(c) is amended by inserting the following sentence at the end thereof: "No purchaser or holder of any Equipment Note (including any Loan Participant) shall be deemed to be a successor or assign of any of the Original Loan Participants."

(b) Section 21 is hereby renumbered Section 22.

15. NEW SECTION 21 OF THE PARTICIPATION AGREEMENT. The following new Section 21 is added:

"Section 21. Successor Loan Trustee; Amendment of Pass Through Trust Documents. (a) In the event that the Loan Trustee gives notice of its resignation pursuant to Section 9.06(b) of the Trust Indenture, the Lessee may direct the Owner Trustee to appoint, and the Owner Trustee shall promptly appoint, a successor Loan Trustee.

(b) In the event that either the Owner Trustee or the Lessee obtains knowledge of the existence of any of the grounds for removal of the Loan Trustee set forth in Section 9.06 of the Trust Indenture, the Owner Trustee or the Lessee, as the case may be, shall promptly give notice (the "Removal Notice") to the other by telephone, confirmed in writing. Within five Business Days after the giving of the Removal Notice, the Lessee may direct the Owner Trustee to remove, and the Owner Trustee shall remove, the Loan Trustee and appoint a successor Loan Trustee, provided that, if within ten Business Days after the giving of the Removal Notice the Loan Trustee shall not have been removed, the Owner Trustee shall be deemed without further act to have delegated to the Lessee the right, on behalf of the Owner Trustee, to remove the Loan Trustee and appoint a successor, and, in the event of the removal of the Loan Trustee in accordance with such delegation, the Lessee agrees to appoint promptly a successor Loan Trustee.

(c) The Lessee shall not enter into any modification or amendment of any Pass Through Trust Document in any manner affecting the Pass Through Trusts created pursuant to the Pass Through Trust Supplements, without the consent of the Owner Participant, such consent not to be unreasonably withheld."

16. AMENDMENT OF SCHEDULE I TO THE PARTICIPATION AGREEMENT.

Schedule I is amended in its entirety as set forth in Schedule I to the Refunding Agreement (AA 1995 PTC Series AA).

[Included as Exhibit 4(d)(13)]

## Terms of Swap Transaction

(a) The Initial Bank Lender represents, warrants and covenants as of the Refunding Date that for all purposes of the Operative Documents, it has entered into an interest rate swap transaction (as the same may be assigned, in whole or in part, to any other Bank Lender as provided below, the "Swap Transaction") under a form of confirmation with a swap counterparty satisfactory to the Lessee (the "Swap Counterparty") governed by an ISDA Master Agreement (the "Swap Agreement") in the standard form thereof (the "Form") published in 1992 by, and incorporating by reference therein the definitions and provisions contained in the 1991 ISDA Definitions (the "Definitions") of, the International Swap Dealers Association, Inc. and having the economic terms set forth below in this Exhibit N. The Initial Bank Lender agrees that, in the event of any transfer of any Bank Equipment Notes to a Permitted Transferee pursuant to Section 10(e) of the Refunding Agreement, the Initial Bank Lender shall either (x) assign or cause to be assigned the portion of the Swap Transaction allocable to such Permitted Transferee's Bank Equipment Notes to such Permitted Transferee and shall obtain the consent of the Swap Counterparty to such assignment, it being agreed that no transfer, in whole or in part, of any such Bank Equipment Note to such Permitted Transferee shall be permitted under the Operative Documents unless such Permitted Transferee, prior to or concurrently with such transfer, shall enter into a confirmation with the Swap Counterparty conforming to the Swap Transaction in respect of such Permitted Transferee's Bank Equipment Notes or (y) extend, pursuant to arrangements reasonably satisfactory to the Lessee, the benefits of a pro rata share of the Swap Transaction with the Swap Counterparty to such Permitted Transferee as contemplated by the definition of "Swap Participation" set forth in the Refunding Agreement. The parties agree that, notwithstanding anything herein or in any Operative Document to the contrary, in the event that a Break Funding Amount is required to be calculated pursuant to this Exhibit N, notwithstanding any transfer from time to time of all or part of the Bank Equipment Notes issued on the Refunding Date, any such Break Funding Amount shall be calculated solely by reference to the economic terms set forth in this Exhibit N, and in no event shall the aggregate of such Break Funding Amounts for all Bank Lenders be calculated with respect to a Notional Amount (as such term is used in this Exhibit N) at the time greater than the outstanding aggregate principal amount of all of the Bank Equipment

Series AA

Notes subject to acceleration or being redeemed or purchased at such time. Each Bank Lender agrees that, except as provided below, it will not amend or terminate or permit to be terminated through its own action or inaction the Swap Transaction in respect of its Bank Equipment Notes in a manner that would have an adverse effect on the rights or interests of the Lessee without the prior written consent of the Lessee (such consent not to be unreasonably withheld).

(b) The Initial Bank Lender agrees, and each other Bank Lender, by becoming such, shall be deemed to have agreed, that the "Swap Breakage Gain" or "Swap Breakage Loss", with respect to any Bank Lender whose Bank Equipment Notes are redeemed (or purchased in lieu of redemption) or accelerated in circumstances under which Swap Breakage Loss or Swap Breakage Gain is incurred or received, as the case may be, by such Bank Lender, shall be determined as follows: such Bank Lender (or, in the case of a Swap Participation, the Initial Bank Lender acting on behalf of such Bank Lender) will use its best efforts to cause the Swap Counterparty to advise the Lessee and the Owner Trustee of the Market Quotation determined by such Swap Counterparty (such Swap Counterparty being the party making the determination of the Market Quotation for purposes of the definition of Market Quotation in the Swap Agreement) in connection with the termination of that portion of the Swap Transaction allocable to that portion of such Bank Lender's Secured Equipment Certificates then being so redeemed or so accelerated. If such Market Quotation is a negative number, the absolute value of the amount thereof shall be the Swap Breakage Gain attributable to such Bank Lender for all purposes of the Operative Documents; if such Market Quotation is a positive number, the amount thereof shall be the Swap Breakage Loss attributable to such Bank Lender for all purposes of the Operative Documents. Each Bank Lender acknowledges that the Lessee shall have the right to designate two of the Reference Market-makers to be used by the Swap Counterparty (such Reference Market-makers to be reasonably acceptable to the Swap Counterparty) in connection with the Swap Counterparty's determination of the Market Quotation for settlement of the Swap Transaction and agrees to use its best efforts to cause the Swap Counterparty to cooperate with the Lessee with respect to the provisions of this Exhibit N and to provide in a timely fashion such information as the Lessee may reasonably request to facilitate the quotation by such Reference Market-makers designated by the Lessee.

(c) The following terms are applicable to the Swap Transaction insofar as it is attributable to each Bank Lender:

1. Such Bank Lender shall be a Fixed Rate Payer;
2. The Notional Amount of that portion of the Swap Transaction attributable to such Bank Lender shall be an amortizing amount equal to the aggregate principal amount of such Bank Lender's Bank Equipment Notes (assuming each installment of principal of the Bank Equipment Notes required to be paid pursuant thereto is paid when due);
3. The Effective Date shall be the Refunding Date;
4. The Termination Date shall be January 2, 2011, as may be adjusted in accordance with the Modified Following Business Day convention;
5. The Payment Dates for the Floating Amount and the Fixed Amount shall be each Lease Period Date and, commencing on the first Lease Period Date to occur after the Refunding Date, and ending on the Termination Date, as may be adjusted in accordance with the Modified Following Business Day convention;
6. The Floating Rate Option shall be 6-month USD-LIBOR-BBA plus the Spread which shall be 80 basis points for calculation periods of six months, except for (i) the initial period commencing on the Effective Date and ending on the first Lease Period Date to occur after the Refunding Date and (ii) the final period commencing on the Lease Period Date immediately preceding the Termination Date and ending on the Termination Date;
7. The Fixed Rate Day Count Fraction shall be 30/360 (without any adjustment for Fixed Rate Period End Dates);
8. The Floating Rate Day Count Fraction shall be Actual/360;

9. The Fixed Rate shall be 7.53%;
10. In the event of a redemption (or purchase in lieu of redemption) of any of the Bank Equipment Notes held by such Bank Lender or an acceleration of such Secured Equipment Certificates upon an Indenture Event of Default, the portion of the Swap Transaction allocable to such Holder shall be subject to termination. In the event of a transfer of such Bank Lender's Bank Equipment Notes pursuant to Section 14(b) of the Refunding Agreement, the portion of the Swap Transaction allocable to such Bank Lender shall be subject to full termination in the event that the Replacement Bank Lender(s) does not either assume its proportionate share of the Swap Transaction or assume or enter into a Swap Participation as provided in such Section 14(b);
11. Business Days shall be New York, New York, London, England, the city and state in which the principal corporate trust office of the Owner Trustee is located (currently Wilmington, Delaware), the city and state in which the principal corporate trust office of the Loan Trustee is located (currently Boston, Massachusetts) and the city and state in which the Loan Trustee disburses funds (currently Boston, Massachusetts).

REFUNDING AGREEMENT  
(AA 1995 PTC Series AB)

Dated as of June 2, 1995

Among

AMERICAN AIRLINES, INC.,  
as Lessee

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION),  
as Owner Participant

WILMINGTON TRUST COMPANY,  
as Owner Trustee

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Pass Through Trustee under the Pass  
Through Trust Agreement and one or  
more separate Pass Through Trust  
Supplements

ABN AMRO BANK N.V., HOUSTON AGENCY,  
as Original Loan Participant

THE MITSUBISHI TRUST AND BANKING CORPORATION,  
NEW YORK BRANCH,  
as Initial Bank Lender

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION,  
as Indenture Trustee

And

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

One Boeing 767-323ER Aircraft  
N7375A

Leased to American Airlines, Inc.

Series AB

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(AA 1995 PTC Series AB)

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REFUNDING AGREEMENT  
(AA 1995 PTC SERIES AB)

This REFUNDING AGREEMENT (AA 1995 PTC Series AB), dated June 2, 1995, among (i) AMERICAN AIRLINES, INC., a Delaware corporation (the "Lessee"), (ii) AT&T CREDIT HOLDINGS, INC. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant"), (iii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise expressly provided herein, but solely as trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-2), dated as of July 1, 1992, between the Owner Participant and the Owner Trustee, (iv) STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association ("State Street"), not in its individual capacity except as otherwise provided herein, but solely as trustee (in such capacity, the "Pass Through Trustee") under the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between the Lessee and the Pass Through Trustee (the "Pass Through Trust Agreement") and one or more separate Pass Through Trust Supplements (each, a "Pass Through Trust Supplement"), each to be dated the Refunding Date (as defined herein), to be entered into between the Lessee and the Pass Through Trustee pursuant to the Pass Through Trust Agreement, (v) ABN AMRO BANK N.V., HOUSTON AGENCY, the "Original Loan Participant", (vi) THE MITSUBISHI TRUST AND BANKING CORPORATION, NEW YORK BRANCH (the "Initial Bank Lender"), (vii) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, a national banking association, as Indenture Trustee (the "Indenture Trustee") under that certain Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of July 1, 1992, between the Owner Trustee and the Indenture Trustee (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-2), dated as of July 9, 1992, the "Original Indenture"), and (viii) STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as successor trustee to the Indenture Trustee pursuant to the Instrument of Resignation (as defined herein) and under that certain Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995, between the Owner Trustee and State Street (in such capacity, the "Loan Trustee").

Series AB

## W I T N E S S E T H:

WHEREAS, the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee and the Original Loan Participant entered into a Participation Agreement (AA 1992 AF-2), dated as of July 1, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N7375A and Manufacturer's Serial Number 25202 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement:

(i) the Owner Participant and the Owner Trustee in its individual capacity entered into a Trust Agreement (AA 1992 AF-2), dated as of July 1, 1992 (such Trust Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-2), dated as of July 9, 1992, the "Original Trust Agreement"), pursuant to which the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1.01 of the Original Trust Agreement for the benefit of the Owner Participant thereunder;

(ii) the Owner Trustee and the Indenture Trustee entered into a Trust Indenture and Security Agreement (AA 1992 AF-2), dated as of July 1, 1992 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-2), dated as of July 9, 1992, the "Original Indenture"), pursuant to which the Owner Trustee issued to ABN AMRO BANK N.V., HOUSTON AGENCY (the "Original Loan Participant") a certificate substantially in the form set forth in Article 2.01 of the Original Indenture (the "Original Loan Certificates") as evidence of its participation in the payment of Lessor's Cost (as such term and other capitalized terms used herein without definition are defined in the Participation Agreement (as defined in Section 7 hereof) including, for purposes of this Refunding Agreement, those terms defined in the Amendment to Participation Agreement set forth as Exhibit L hereto, or, if not defined therein, as defined in the Original Lease (as defined in clause (iii) below) including, for purposes of this Refunding Agreement, those terms defined in the form of First Amendment to Lease Agreement set forth as Exhibit C-1 hereto);

(iii) the Owner Trustee and the Lessee entered into a Lease Agreement (AA 1992 AF-2), dated as of July 1, 1992, relating to the Aircraft (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 AF-2), dated July 9, 1992, the "Original Lease"), pursuant to which, subject to the terms and conditions set forth therein, the Owner Trustee agreed to lease to the Lessee, and the Lessee agreed to lease from the Owner Trustee, the Aircraft on its Delivery Date;

(iv) the Owner Trustee, the Lessee, the Owner Participant and the Indenture Trustee entered into a Rent Schedule (AA 1992 AF-2), dated as of July 1, 1992, relating to the Original Lease (the "Original Rent Schedule"); and

(v) the Owner Participant and the Lessee entered into a Tax Indemnity Agreement (AA 1992 AF-2), dated as of July 1, 1992, relating to the Aircraft (the "Original Tax Indemnity Agreement");

WHEREAS, pursuant to the Instrument of Resignation, Appointment and Acceptance, to be dated as of the Refunding Date (the "Instrument of Resignation"), among the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee and the Original Loan Participant, the Indenture Trustee will resign under the Original Indenture, and the Initial Bank Lender, the Pass Through Trustee, the Lessee and the Owner Trustee will accept such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee under the Original Indenture;

WHEREAS, State Street Bank and Trust Company, a Massachusetts banking corporation, of which the Loan Trustee is a wholly-owned subsidiary, will enter into a guarantee, to be dated as of the Refunding Date (the "State Street Guarantee") for the benefit of, among others, the holders from time to time of the Equipment Notes (as defined below), substantially in the form of Exhibit A hereto with respect to certain obligations of the Loan Trustee;

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement:

(i) the Owner Trustee and the Owner Participant will enter into the First Amendment to Trust Agreement (AA 1995 PTC Series AB)(the "Trust Agreement Amendment"; the Original Trust Agreement, as so amended, the "Trust Agreement") in substantially the form of Exhibit M hereto;

(ii) the Owner Participant and the Lessee will enter into the First Amendment to Tax Indemnity Agreement (AA 1995 PTC Series AB) (the "Tax Indemnity Agreement Amendment"; the Original Tax Indemnity Agreement, as so amended, the "Tax Indemnity Agreement"), amending the Original Tax Indemnity Agreement;

(iii) subject to the terms hereof, the Owner Trustee and the Loan Trustee will amend and restate the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB) (the "Amended and Restated Indenture" or the "Indenture"), in substantially the form of Exhibit B hereto, for the benefit of the holder or holders of the Equipment Notes (as defined below), under which Indenture the Owner Trustee shall issue (a) equipment notes substantially in the form of Exhibit A to the Indenture to the Pass Through Trustee (as further defined in the Amended and Restated Indenture, being herein collectively called the "Pass Through Equipment Notes" and individually a "Pass Through Equipment Note"), and b) equipment notes substantially in the form of Exhibit A-1 to the Indenture (as further defined in the Amended and Restated Indenture, being herein collectively called the "Bank Equipment Notes" and individually a "Bank Equipment Note") to the Initial Bank Lender (as further defined in the Amended and Restated Indenture, the Pass Through Equipment Notes together with the Bank Equipment Notes being herein collectively called the "Equipment Notes");

WHEREAS, Section 20 of the Original Participation Agreement contemplates redemption of the Original Loan Certificates pursuant to Section 2.12 of the Original Indenture as part of a refunding or refinancing operation, and Section 3(e) of the Original Lease contemplates the adjustment of Rent in the event of such a refunding or refinancing operation, and the Lessee has given its written notice to the Owner Participant and Owner Trustee pursuant to such Section 20 of the Lessee's desire to implement such a refunding or refinancing operation;

WHEREAS, pursuant to the Pass Through Trust Supplements, on the Refunding Date (as defined in Section 1 below) one or more grantor trusts (herein being collectively called the "Grantor Trusts" and individually a "Grantor Trust") will be created to facilitate a portion of the transactions contemplated hereby;

WHEREAS, the proceeds from the sale of the Pass Through Certificates will be applied to purchase the Pass Through Equipment Notes from the Owner Trustee;

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement, the Owner Trustee and the Lessee will enter into the First Amendment to the Original Lease in substantially the form of Exhibit C-1 hereto (the "Lease Amendment"; the Original Lease, as so amended, the "Lease"), containing amendments, modifications and additions necessary to give effect to the transactions described herein; and

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement, subject to the terms hereof, the Owner Trustee, the Lessee, the Owner Participant, the Indenture Trustee and the Loan Trustee will amend and restate the Original Rent Schedule as the Amended and Restated Rent Schedule (AA 1995 AF-2) (redesignated as AA 1995 Series AB), dated as of June 15, 1995 (the "Amended and Restated Rent Schedule"), in substantially the form of Exhibit C-2 hereto;

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

SECTION 1. PURCHASE OF EQUIPMENT NOTES; REFUNDING. (a) Subject to the satisfaction or waiver of the conditions set forth herein, at 9:00 a.m. New York City time on June 15, 1995 or at such other date and time, not later than July 31, 1995, as shall be specified by the Lessee (the "Refunding Date"), (i) immediately prior to the Closing (as hereinafter defined), if the Refunding Date is other than a Lease Period Date, the Lessee shall pay to the Owner Trustee as a prepayment of Basic Rent an amount equal to the interest accrued and unpaid on the Original Loan Certificates to the Refunding Date (such payment to be made directly to the Loan Trustee in accordance with Section 3(d) of the Lease), (ii) if the Refunding Date is a date other than the last day of an Interest Period (as defined in the

Original Indenture) the Lessee shall also pay to the Owner Trustee, as Supplemental Rent, the Break Amount (as defined in the Original Indenture), if any (such payment to be made directly to the Loan Trustee in accordance with Section 3(d) of the Lease), (iii) the Initial Bank Lender shall direct State Street, as trustee under Section 15 hereof with respect to the Deposit (as defined in such Section 15), to pay to the Loan Trustee on behalf of the Owner Trustee the aggregate purchase price of the Bank Equipment Notes being issued to it as set forth in clause (vii) of this Section 1(a), (iv) the Pass Through Trustee for each Grantor Trust shall pay to the Loan Trustee on behalf of the Owner Trustee the aggregate purchase price of the Pass Through Equipment Notes being issued to it as set forth in clause (vii) of this Section 1(a), (v) subject to the deposit with the Loan Trustee of the amounts referred to in clauses (i) through (iv) above, the Owner Trustee shall direct the Loan Trustee to disburse to the Original Loan Participant an amount equal to the then outstanding principal amount of all Original Loan Certificates outstanding on the Refunding Date together with accrued and unpaid interest on such Original Loan Certificates to the Refunding Date and Break Amount, if any, as a prepayment of such Original Loan Certificates in accordance with Section 2.12 of the Original Indenture, (vi) the Original Loan Participant shall, against receipt of payment for its Original Loan Certificates as aforesaid, deliver to the Loan Trustee all of its Original Loan Certificates for cancellation, and (vii) simultaneously with the prepayment of the Original Loan Certificates described in clause (v) above, (A) the Original Loan Participant shall authorize, and the Owner Trustee and the Loan Trustee shall enter into, the Amended and Restated Indenture as provided in Section 5, (B) the Owner Participant and the Owner Trustee shall enter into the Trust Agreement Amendment as provided in Section 8, (C) the Owner Trustee and the Lessee shall enter into the Lease Amendment as provided in Section 6, and (D) the Owner Trustee shall issue, pursuant to Article II of the Indenture and Section 2 hereof, to the Initial Bank Lender and the Pass Through Trustee for the Grantor Trusts the Bank Equipment Notes and the Pass Through Equipment Notes, respectively, to be purchased by it hereunder.

(b) The Owner Participant, by its execution and delivery hereof, requests and directs the Owner Trustee to execute and deliver this Agreement and, subject to the terms hereof, to take the actions contemplated herein.

(c) Each of the Original Loan Participant, the Initial Bank Lender and the Pass Through Trustee, by its

execution and delivery hereof, authorizes the Loan Trustee to act for its benefit as contemplated in this Agreement and requests and directs the Loan Trustee to execute and deliver this Agreement and the Amended and Restated Indenture and, subject to the terms hereof and thereof, to take the actions contemplated herein and therein.

(d) In case the Initial Bank Lender or the Pass Through Trustee shall for any reason fail to purchase the Equipment Notes to be purchased by it pursuant to Section 1(a) above, the written notice given by the Lessee pursuant to Section 20 of the Original Participation Agreement shall be deemed never to have been given, neither the Owner Trustee nor the Lessee shall have any obligation to pay to the Original Loan Participant any amount in respect of the prepayment of the Loan Certificates, the Original Loan Certificates shall remain outstanding and in full force and effect, and the actions contemplated by Sections 5, 6, 7 and 8 hereof shall not take place.

(e) The closing (the "Closing") of the transactions described in this Agreement shall take place at the offices of Debevoise & Plimpton, 875 Third Avenue, New York, New York 10022, on the Refunding Date, or at such other place as the parties hereto may agree.

(f) All payments pursuant to this Section 1 shall be made in immediately available funds to such accounts and at such banks as the parties hereto shall designate in writing not less than one Business Day prior to the Refunding Date.

(g) Subject to the terms and conditions hereof, in order to facilitate a portion of the refinancing by the Owner Trustee of the Original Loan Certificates contemplated hereby, the Lessee intends to enter into an underwriting agreement, to be dated on or prior to the Refunding Date, among the Lessee and one or more underwriters (the "Underwriters") named therein (the "Underwriting Agreement"); and the Lessee will enter into the Pass Through Trust Supplements as the "issuer," as defined in and solely for purposes of the Securities Act of 1933, as amended (the "Securities Act"), of the Pass Through Certificates being issued thereunder, and as the "obligor," as defined in and solely for purposes of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), with respect to such Pass Through Certificates and will undertake to perform certain administrative and ministerial duties under such Pass Through Trust Supplements.

SECTION 2. EQUIPMENT NOTES. (a) The aggregate principal amount of the Equipment Notes shall be \$54,660,452.69. Set forth on Schedule II hereto are indicative principal amounts and amortization schedules for the Pass Through Equipment Notes and the Bank Equipment Notes, calculated assuming that the Pass Through Equipment Notes will bear interest at the rate of 8.60% per annum, and the Bank Equipment Notes will bear interest at the rate of 7.53% per annum. The parties acknowledge that the principal amounts and amortization schedules of the Pass Through Equipment Notes and the Bank Equipment Notes are subject to change prior to the Refunding Date, and that the final principal amounts and amortization schedules of the Pass Through Equipment Notes and the Bank Equipment Notes will be determined, subject to the terms of this Refunding Agreement, based upon the actual interest rates to be borne by the Pass Through Equipment Notes and the Bank Equipment Notes and the resulting recalculation of the figures on the Exhibits to the Amended and Restated Rent Schedule contemplated by Section 6 hereof.

(b) Subject to the terms hereof, the Pass Through Equipment Notes will bear interest at the rate, mature on the date, and be payable as to principal in the amounts, to be specified in the Underwriting Agreement.

(c) In addition to the conditions precedent to the obligations of the Initial Bank Lender set forth in Section 3, the obligations of the Initial Bank Lender to purchase the Bank Equipment Notes as contemplated hereby shall be subject to the additional condition precedent that, notwithstanding the recalculations referred to in Section 2(a), the Bank Equipment Notes shall have the following terms: (i) the sum of (A) the aggregate principal amount of the Bank Equipment Notes plus (B) the aggregate principal amount of the bank equipment notes to be issued pursuant to the Amended and Restated Trust Indentures and Security Agreements (AA 1995 PTC Series AA) and (AA 1995 PTC Series AC) (the "Other Indentures"), each dated as of June 15, 1995, shall not exceed \$115,000,000; (ii) the final maturity date of the Bank Equipment Notes shall not extend beyond January 2, 2011; (iii) the weighted average life to maturity of the Bank Equipment Notes from the Refunding Date (calculated in accordance with standard financial practice) shall not exceed 11 years; (iv) the actual principal amount, amortization schedule and fixed interest rate borne by the Bank Equipment Notes shall be irrevocably set on the date on which the Initial Bank Lender enters into the Swap; and (v) the fixed interest rate to be borne by the Bank Equip-

ment Notes (such rate to be satisfactory to the Lessee) shall be equal to the fixed interest rate payable by the Initial Bank Lender in the Swap (as defined below). For purposes of this Section 2, the term "Swap" shall refer to a Swap Transaction having the terms and characteristics described in Exhibit N (or such other terms and characteristics as shall be approved by the Lessee) to be entered into by the Initial Bank Lender prior to the Refunding Date pursuant to which the Initial Bank Lender will receive floating rate payments, calculated and payable as contemplated by such Exhibit N, equal to 6 month USD-LIBOR-BBA plus a spread of 80 basis points. The Initial Bank Lender agrees to enter into the Swap, based on a notional principal amount specified by the Lessee (subject to clauses (i), (ii) and (iii) of the proviso to the second preceding sentence), on a date to be designated by the Lessee not less than four Business Days prior to the Refunding Date. In the event that the terms of the Swap actually entered into by the Initial Bank Lender vary, with the Lessee's approval as provided above, from those described in Exhibit N, Exhibit N shall be modified to reflect such different terms, and Exhibit N, as so modified, shall thereupon constitute Exhibit N to this Refunding Agreement for all purposes of this Refunding Agreement and the other Operative Documents.

(d) The Equipment Notes shall be payable as to principal in accordance with the terms of the Indenture, and the Equipment Notes of each maturity shall provide for a fixed rate of interest per annum and shall contain the terms and provisions provided for the Equipment Notes of such maturity in the Indenture. The Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver to the Initial Bank Lender and the Pass Through Trustee for each Grantor Trust, a principal amount of Equipment Notes of the maturity and interest rate and in the principal amounts, all as determined in accordance with the provisions of this Refunding Agreement. Subject to the terms hereof and of the other Operative Documents, all such Equipment Notes shall be dated and authenticated as of the Refunding Date and shall bear interest therefrom, shall be registered in the name of the Initial Bank Lender and in such names as shall be specified by the Pass Through Trustee, and shall be paid in the manner and at such places as are set forth in the Indenture.

SECTION 3. CONDITIONS PRECEDENT. The obligation of the Initial Bank Lender to direct State Street to make the payment described in Section 1(a)(iii), the obligation of the Pass Through Trustee to make the payment described in Section 1(a)(iv), and the obligations of the Owner Trustee

and the Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date are subject to the fulfillment, prior to or on the Refunding Date, of the following conditions precedent (except that paragraphs (f) and (l) shall not be conditions precedent to the obligations of the Owner Trustee hereunder; paragraphs (g) and (n) shall not be conditions precedent to the obligations of the Owner Participant hereunder; and paragraphs (a) (to the extent such paragraph (a) applies to the Pass Through Trustee), (p) and (q) (to the extent such paragraph (q) applies to the Pass Through Trustee) shall not be conditions precedent to the obligations of the Initial Bank Lender hereunder):

(a) The Owner Trustee shall have tendered to the Loan Trustee for authentication the Equipment Notes issued to effect the refunding contemplated by Section 1 hereof, and the Loan Trustee shall have authenticated such Equipment Notes and shall have tendered the Bank Equipment Notes included in such Equipment Notes to the Initial Bank Lender and the Pass Through Equipment Notes included in such Equipment Notes to the Pass Through Trustee in accordance with Section 2.

(b) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received executed counterparts or conformed copies of the following documents:

- (1) the Original Lease and the Lease Amendment;
- (2) the Original Rent Schedule and, subject to Section 6, the Amended and Restated Rent Schedule;
- (3) the Original Trust Agreement and the Trust Agreement Amendment;
- (4) the Indenture;
- (5) the Purchase Agreement Assignment;
- (6) the Original Participation Agreement and this Agreement;
- (7) the Pass Through Trust Supplements and the Pass Through Trust Agreement (collectively, the "Pass Through Trust Documents") (for the Pass

Through Trustee, the Owner Trustee and the Owner Participant only);

(8) the Instrument of Resignation;

(9) the Tax Indemnity Agreement Amendment (for the Owner Participant only); and

(10) the State Street Guarantee.

(c) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received the following:

(1) an incumbency certificate of the Lessee as to the person or persons authorized to execute and deliver this Agreement, the Lease Amendment and any other documents to be executed on behalf of the Lessee in connection with the transactions contemplated hereby and the signatures of such person or persons;

(2) a copy of the resolutions of the board of directors of the Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the transactions contemplated hereby and the execution and delivery of each of the documents required to be executed and delivered on behalf of the Lessee in connection with the transactions contemplated hereby; and

(3) a copy of the certificate of incorporation of the Lessee certified by the Secretary of State of the State of Delaware, a copy of the By-Laws of the Lessee, certified by the Secretary or an Assistant Secretary of the Lessee, and a telegram or other evidence from the Secretary of the State of the State of Delaware as to the good standing of the Lessee.

(d) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Lessee, dated the Refunding Date, certifying that:

(1) the Aircraft has been duly certified by the Federal Aviation Administration as to type and

airworthiness in accordance with the terms of the Original Lease and has a current, valid certificate of airworthiness;

(2) the FAA Bill of Sale, the Original Lease and the Original Indenture have been duly recorded, and the Original Trust Agreement has been duly filed, with the FAA pursuant to the Federal Aviation Act;

(3) the Aircraft has been registered with the Federal Aviation Administration in the name of the Owner Trustee and the Lessee has authority to operate the Aircraft;

(4) the representations and warranties contained herein of the Lessee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date); and

(5) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both, and no Event of Loss has occurred and is continuing.

(e) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Loan Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Loan Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(f) The Initial Bank Lender, the Pass Through Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Owner Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Trustee are correct as though made on and as of the Refunding Date, except to the extent that

such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(g) The Initial Bank Lender, the Pass Through Trustee and the Owner Trustee each shall have received a certificate signed by an authorized officer of the Owner Participant, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Participant are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(h) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an independent insurance broker's report, together with certificates of insurance from such broker, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(i) The Initial Bank Lender and the Pass Through Trustee shall have received copies of all Uniform Commercial Code financing statements covering the security interests created by or pursuant to the Granting Clause of the Original Indenture and all Uniform Commercial Code financing statements describing the Lease as a lease and any continuation statements relating thereto.

(j) (A) A UCC-1 financing statement covering the security interests created by the Original Indenture naming the Owner Trustee, as debtor, and the Indenture Trustee, as secured party, shall have been duly filed with the Secretary of State of the State of Delaware, (B) an amendment (including an assignment) to such Uniform Commercial Code financing statement with respect to the replacement of the Indenture Trustee and the amendment of the Original Indenture shall have been executed and delivered by the Owner Trustee, as debtor, the Indenture Trustee, as secured party, and the Loan Trustee, as assignee of the secured party, and such financing statement amendment shall have been positioned for filing and, upon Closing, promptly filed with the Secretary of State of the State of Delaware,

(C) a UCC-1 financing statement covering the security interests created by the Amended and Restated Indenture naming the Owner Trustee, as debtor, and the Loan Trustee, as secured party, shall have been duly filed with the Secretary of State of the State of Delaware, and (D) an amendment (including an assignment) to the Uniform Commercial Code financing statement describing the Lease as a lease shall have been executed and delivered by the Indenture Trustee, the Loan Trustee and the Lessee, and such financing statement amendment shall have been positioned for filing and, upon Closing, promptly filed with the Secretary of State of the State of Texas.

(k) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Debevoise & Plimpton, special counsel for the Lessee, substantially in the form of Exhibit D hereto, and an opinion addressed to it from Anne H. McNamara, Esq., Senior Vice President and General Counsel of the Lessee, substantially in the form of Exhibit E hereto.

(l) The Initial Bank Lender, the Pass Through Trustee and the Owner Participant each shall have received an opinion addressed to it from Potter Anderson & Corroon, special counsel for the Owner Trustee, substantially in the form of Exhibit F hereto.

(m) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Bingham, Dana & Gould, special counsel for the Loan Trustee, substantially in the form of Exhibit G hereto.

(n) The Initial Bank Lender, the Pass Through Trustee and the Owner Trustee each shall have received an opinion addressed to it from Sidley & Austin, special counsel for the Owner Participant, substantially in the form of Exhibit H hereto, and an opinion addressed to it from Louis B. Fontana, Jr. counsel of the Owner Participant, substantially in the form of Exhibit I hereto.

(o) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Crowe & Dunlevy, P.C., special counsel in Oklahoma

City, Oklahoma, substantially in the form of Exhibit J hereto.

(p) The Lessee shall have entered into the Underwriting Agreement and the Pass Through Trust Supplements, the Pass Through Certificates shall have been issued and sold pursuant to the Underwriting Agreement and the Pass Through Trust Supplements, and the Underwriters shall have transferred to the Pass Through Trustee in immediately available funds an amount equal to the aggregate purchase price of the Pass Through Equipment Notes to be purchased from the Owner Trustee.

(q) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that would make it illegal for the Initial Bank Lender or the Pass Through Trustee to make the payments described in Section 1(a) or for the Owner Trustee or Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date.

(r) All approvals and consents of any trustee or holder of any indebtedness or obligations of the Lessee which are required in connection with the Initial Bank Lender's or the Pass Through Trustee's making of the payments described in Section 1(a) or the Owner Trustee's or Owner Participant's participation in the transactions contemplated by this Agreement on the Refunding Date shall have been duly obtained.

Promptly following the recording of the Instrument of Resignation, the Lease Amendment and the Amended and Restated Indenture pursuant to the Federal Aviation Act and the filing of the Trust Agreement Amendment pursuant to such Act, the Lessee will cause Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, to deliver to the Initial Bank Lender, the Pass Through Trustee, the Lessee, the Loan Trustee, the Owner Participant and the Owner Trustee an opinion as to the due recording of the Instrument of Resignation, the Lease Amendment and the Indenture.

SECTION 4. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE LESSEE; CONDITIONS PRECEDENT WITH RESPECT TO THE PASS THROUGH TRUSTEE. (a) The Lessee's obligation to participate in the transactions contemplated by this Agreement and to execute and deliver the Lease Amendment are subject to (i) the interest rates, principal amounts and

amortization schedules of the Bank Equipment Notes and the Pass Through Equipment Notes being satisfactory to the Lessee, (ii) the fulfillment prior to or on the Refunding Date, of the conditions precedent listed in subsection (a), (b), clauses (1) through (3) of subsection (d), and subsections (e), (f), (g), (j), (q) and (r) of Section 3 with respect to the other parties hereto and (iii) the receipt by the Lessee (and the Loan Trustee in the case of the forms referred to in clause (C) hereof) of (A) each certificate referred to in subsections (e), (f) and (g) of Section 3, (B) each opinion referred to in subsections (l) through (o) of Section 3, addressed to the Lessee or accompanied by a letter from counsel rendering such opinion authorizing the Lessee to rely on such opinion as if it were addressed to the Lessee, (C) two valid executed copies of Internal Revenue Service Form 4224 from the Initial Bank Lender, (D) a certificate of the Initial Bank Lender certifying that, to the best of its knowledge, the Initial Bank Lender is not then entitled to indemnification for any amounts described in Section 14(a) hereof or 7(c) of the Participation Agreement and that the Initial Bank Lender shall not become, by reason of any Regulatory Change then effective or likely in its best judgment to become effective, entitled to any such amount described in Section 14(a) hereof or 7(c) of the Participation Agreement, and (E) such other documents and evidence with respect to each other party hereto as the Lessee may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

(b) The respective obligations of each of the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee to participate in the transactions contemplated hereby is subject to the receipt by each of them of (i) a certificate signed by an authorized officer of the Pass Through Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Pass Through Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date), (ii) an opinion addressed to each of them of Bingham, Dana & Gould, special counsel for the Pass Through Trustee, substantially in the form of Exhibit K hereto, and (iii) such other documents and evidence with respect to the Pass Through Trustee as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the

taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

SECTION 5. SUCCESSOR TRUSTEE; EXECUTION AND DELIVERY OF THE NEW INDENTURE. The Original Loan Participant, the Owner Trustee and the Lessee hereby waive notice of the resignation of the Indenture Trustee pursuant to the Instrument of Resignation. Each of the Original Loan Participant, Lessee, Pass Through Trustee and Owner Trustee agrees that, notwithstanding the provisions of Section 8.02 of the Original Indenture, the Loan Trustee is an acceptable successor to the Indenture Trustee and the provisions of Section 8.02(b) of the Original Indenture are hereby waived by the Original Loan Participant, the Owner Trustee, the Indenture Trustee and the Loan Trustee. The Original Loan Participant and the Owner Participant, by execution and delivery hereof, request and direct the Owner Trustee and the Loan Trustee to execute and deliver the Indenture, and the Owner Trustee and the Loan Trustee agree to execute and deliver the Indenture (the Indenture to be executed and delivered to include a completed Exhibit B setting forth the interest rates, principal amounts and amortization schedules of the Equipment Notes determined as contemplated by Section 2 hereof). The Lessee, by execution and delivery hereof, consents to such execution and delivery of the Indenture. The Initial Bank Lender, by execution and delivery hereof, consents to the Indenture. The Indenture shall be effective as of the Closing.

SECTION 6. AMENDMENT OF THE ORIGINAL LEASE AND AMENDMENT AND RESTATEMENT OF THE ORIGINAL RENT SCHEDULE. The Loan Trustee and the Owner Participant, by execution and delivery hereof, request and instruct the Owner Trustee to execute and deliver the Lease Amendment and the Amended and Restated Rent Schedule; the Original Loan Participant, by execution and delivery hereof, requests and instructs the Indenture Trustee to execute and deliver the Amended and Restated Rent Schedule; the Owner Trustee and the Lessee agree to execute and deliver the Lease Amendment, and the Owner Trustee, the Loan Trustee, the Indenture Trustee, the Owner Participant and the Lessee agree to execute and deliver the Amended and Restated Rent Schedule. The Initial Bank Lender, by execution and delivery hereof, consents to the Lease Amendment and the Amended and Restated Rent Schedule. The Lease Amendment and the Amended and Restated Rent Schedule shall be effective as of the Closing. Notwithstanding the foregoing, the parties hereto acknowledge that the figures on Exhibits A, B and C to the Amended and Restated Rent

Schedule, as well as certain other financial data included in Sections 6 and 8 of the Amended and Restated Rent Schedule, will be recalculated prior to the Refunding Date, utilizing the same methods and assumptions originally used to calculate the Exhibits and financial data included in the form of Amended and Restated Rent Schedule attached to and made a part of this Refunding Agreement on the date hereof (and subject to the verification provisions of the last paragraph of Section 20(c) of the Original Participation Agreement), to reflect solely (i) the actual Refunding Date, (ii) any change agreed to by the Owner Participant and the Lessee in the Transaction Costs pricing assumption reflected in Section 3(e) of the form of Lease Amendment attached as Exhibit C-1 hereto and Section 18(a) of the Amendment to Participation Agreement attached as Exhibit L hereto (such Sections 3(e) and 18(a) to be modified to reflect any such agreed change), and (iii) the actual interest rates to be borne by the Pass Through Equipment Notes and the Bank Equipment Notes, with all other factors and assumptions reflected in such figures and financial data remaining unchanged; provided that Basic Rent for any Lease Period or portion thereof occurring during the period from the Refunding Date to the third anniversary of the Base Lease Commencement Date shall be recalculated on the basis of the average daily equivalent rent for such Lease Period or portion thereof. The Owner Participant and the Lessee will cooperate in effecting such revisions to the Amended and Restated Rent Schedule and will provide the Owner Trustee, the Loan Trustee, the Pass Through Trustee and the Initial Bank Lender with a copy of the revised version no later than four Business Days prior to the Refunding Date.

SECTION 7. AMENDMENT OF THE PARTICIPATION AGREEMENT.

Effective upon the Closing, the parties hereto agree that, without further act, the Original Participation Agreement shall be amended as set forth in Exhibit L hereto (such Original Participation Agreement, as so amended, the "Participation Agreement"), and the Initial Bank Lender, the Pass Through Trustee and the Loan Trustee shall be deemed to be parties thereto from and after the Closing to the extent set forth in such Exhibit L. Except as so amended hereby, the Original Participation Agreement (including without limitation Section 14 thereof) shall remain in full force and effect.

SECTION 8. AMENDMENT OF THE TRUST AGREEMENT. The Owner

Participant, by execution and delivery hereof, requests and instructs the Owner Trustee to execute and deliver the Trust Agreement Amendment; the Owner Trustee and the

Owner Participant, by execution and delivery hereof, agree (subject to the terms of this Agreement) to execute and deliver the Trust Agreement Amendment. The Initial Bank Lender, by execution and delivery hereof, consents to the terms of the Trust Agreement Amendment. The Trust Agreement Amendment shall be effective as of the Refunding Date.

SECTION 9. LESSEE'S REPRESENTATIONS AND WARRANTIES. The Lessee represents and warrants that:

(a) the Lessee is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware; the Lessee is an "air carrier" within the meaning of 49 U.S.C. Section 40102(a); the Lessee holds a certificate of public convenience and necessity in accordance with 49 U.S.C. Section 41102, and an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo; the Lessee is a "citizen of the United States" as defined in 49 U.S.C. Section 40102; the Lessee has the corporate power and authority to own or hold under lease its properties, has (or had or will have on the respective dates of execution thereof) the corporate power and authority to enter into this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents and the other Operative Documents to which it is or will be a party, has the corporate power and authority to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, and is duly qualified to do business as a foreign corporation in good standing in each state in which it has intrastate routes or has a principal office or a major overhaul facility, and its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code in effect in the State of Texas) is located in Fort Worth, Texas;

(b) the execution and delivery by the Lessee of this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, and the performance of this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents and each other Operative Document to which it is or will be

a party, have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, or approval or consent of any trustee or holder of any indebtedness or obligations of the Lessee, except such as have been duly obtained and are in full force and effect, and do not contravene any law, governmental rule, regulation or order binding on the Lessee or the Certificate of Incorporation or By-Laws of the Lessee or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than Permitted Liens) upon the property of the Lessee under, any indenture, mortgage, contract or other agreement to which the Lessee is a party or by which it may be bound or affected;

(c) neither the execution and delivery by the Lessee of this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents or any other Operative Document to which it is or will be a party, nor the performance of its obligations hereunder or under the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents or the Other Operative Documents to which it is or will be a party, nor the consummation by the Lessee of any of the transactions contemplated hereby or thereby, requires the further consent or approval of, the further giving of notice to, the further registration with, or the further taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, or any other Federal, state or foreign governmental authority having jurisdiction, other than (i) the registration of the issuance and sale of the Pass Through Certificates, Series 1995-A (the "Pass Through Certificates"), to be issued pursuant to the provisions of the Pass Through Trust Documents, under the Securities Act, which registration shall have been accomplished by the Refunding Date, and under the securities laws of any state in which the Pass Through Certificates may be offered for sale if the laws of such state require such action, (ii) the qualification of the Pass Through Trust Documents under the Trust Indenture, which qualification shall have been obtained by the Refunding Date pursuant to an order of the Securities and Exchange Commission, (iii) the registrations and filings referred to in Section 9(h), (iv) the filing of those certain Uniform Commercial Code financ-

ing statements and amendments to Uniform Commercial Code financing statements referred to in Section 3(j), and (v) such action, as a result of any act or omission by the Initial Bank Lender or any of its affiliates, as may be required under the United States federal securities laws or the securities or other laws of any state thereof applicable to sales of securities;

(d) each of this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Lease, the Original Rent Schedule, the Pass Through Trust Documents and each other Operative Document to which the Lessee is a party constitutes, and each of the Participation Agreement when the Closing has occurred and the Tax Indemnity Agreement, the Amended and Restated Rent Schedule and the Lease when the Tax Indemnity Agreement Amendment, the Amended and Restated Rent Schedule and the Lease Amendment shall have been entered into will constitute, the legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and except, in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not make the remedies provided in the Lease inadequate for practical realization of the rights and benefits provided thereby;

(e) as of the date of this Refunding Agreement there are no pending or, to the Lessee's knowledge, threatened actions or proceedings before any court or administrative agency or arbitrator which would materially adversely affect the ability of the Lessee to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents or any of the other Operative Documents to which it is a party or by which it is bound;

(f) the Lessee and its subsidiaries have filed or caused to be filed all Federal, state, local and foreign tax returns which are required to be filed and have paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by the Lessee or any of its subsid-

iaries, to the extent that such taxes have become due and payable; the Federal income tax liability, if any, of the Lessee has been determined by the Internal Revenue Service (or the statute of limitations has expired with respect to a redetermination of such liability and no waiver or extension of such statute of limitations has been granted or consented to by the Lessee or by any court or tribunal) and (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) paid for all years prior to and including the fiscal year ended December 31, 1984; the Federal income tax returns of the Lessee for the fiscal years ended December 31, 1985 to December 31, 1994, inclusive, are subject to examination by the Internal Revenue Service;

(g) (i) the audited consolidated balance sheet of the Lessee and its subsidiaries as of the end of each of its last three fiscal years, and the related consolidated statements of operations and cash flows for the three fiscal years then ended (copies of which have been furnished to the Initial Bank Lender and the Pass Through Trustee), fairly present the consolidated financial position of the Lessee and its consolidated subsidiaries as at the end of each such fiscal year and the consolidated results of their operations and cash flows for each such fiscal year in accordance with generally accepted accounting principles applied on a consistent basis (except as may be noted in such financial statements); and ii) from December 31, 1994 to the date of this Refunding Agreement, there has been no material adverse change in such consolidated financial condition of the Lessee and its consolidated subsidiaries, taken as a whole;

(h) except for the filings contemplated by Section 3(j) hereof, the filing of the Trust Agreement Amendment pursuant to the Federal Aviation Act and the filing for recording pursuant to such Act of the Indenture, the Instrument of Resignation and the Lease Amendment, no further filing or recording of any document (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction) is necessary under the laws of the United States of America or any State thereof in order to perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties, or to perfect the security interest in favor of the Loan Trustee in the Owner Trustee's interest in

the Aircraft or the Lease (with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to 49 U.S.C. Section 44107) in any applicable jurisdiction in the United States (other than the filing of continuation statements with respect to the Uniform Commercial Code financing statements referred to in Section 3(j) hereof);

(i) neither the Lessee nor any Person authorized to act on its behalf (it being agreed that no Bank Lender is authorized to act on its behalf) has (1) directly or indirectly offered any interest in the Trust Estate or any similar interest for sale to, or solicited any offer to acquire the same from, any Person other than the Owner Participant and not more than 35 other institutional investors, (2) directly or indirectly offered any Bank Equipment Notes being sold, purchased or delivered pursuant to this Agreement or any similar interest for sale to, or solicited any offer to acquire the same from, any Person other than the Initial Bank Lender and not more than 35 other institutional investors, or (3) directly or indirectly offered the Pass Through Certificates for sale to any Person other than in a manner required by the Securities Act and by the rules and regulations thereunder;

(j) the Lessee is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended; and

(k) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both, and no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the lapse of time.

SECTION 10. REPRESENTATIONS, WARRANTIES AND COVENANTS. (a)

The Loan Trustee represents, warrants and covenants that:

(1) the Loan Trustee is a national banking association duly organized and validly existing and in good standing under the laws of the United States, is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 and will resign as Loan Trustee promptly after

it obtains actual knowledge that it has ceased to be such a citizen, and has the full corporate power, authority and legal right under the laws of the State of Connecticut and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of this Agreement, the Indenture and each other Operative Document to which it is or will be a party and the Instrument of Resignation and to carry out its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Document to which it is or will be a party;

(2) the execution and delivery by the Loan Trustee of this Agreement, the Indenture, each other Operative Document to which it is or will be a party and the Instrument of Resignation and the performance by the Loan Trustee of its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Document to which it is or will be a party have been duly authorized by the Loan Trustee and will not violate its articles of association or by-laws or the provisions of any indenture, mortgage, contract or other agreement to which it is a party or by which it is bound; and

(3) this Agreement constitutes, and the Participation Agreement, when the Closing has occurred, and the Indenture, the Instrument of Resignation and the Amended and Restated Rent Schedule, when executed and delivered by the Loan Trustee, will constitute, the legal, valid and binding obligations of the Loan Trustee enforceable against it in accordance with their respective terms.

(b) The Owner Trustee, in its individual capacity (except with respect to clauses (3) and (4) below) and (but only with respect to clauses (3), (4) and, to the extent that it relates to the Owner Trustee, clause (9)) as Owner Trustee, represents and warrants that:

(1) the Owner Trustee, in its individual capacity, is a banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, has full corporate power and authority to carry on its business as now conducted and has (or had or will have on the respective dates of execution thereof), the corporate power and authority to execute and deliver the Trust Agreement and the Trust Agreement Amendment, has the corporate power and au-

thority to carry out the terms of the Trust Agreement, has (or had or will have on the respective dates of execution thereof) (assuming the authorization, execution and delivery of the Trust Agreement and the Trust Agreement Amendment by the Owner Participant), as Owner Trustee, and to the extent expressly provided herein or therein, in its individual capacity, the corporate power and authority to execute and deliver this Agreement, the Original Indenture, the Indenture, the Equipment Notes, the Lease Amendment, the Amended and Restated Rent Schedule and each other Operative Document (other than the Trust Agreement) to which it is or will be a party and has the corporate power and authority to carry out the terms of this Agreement, the Participation Agreement, the Lease, the Indenture, the Equipment Notes and each other Operative Document (other than the Trust Agreement) to which it is or will be a party;

(2) the Owner Trustee in its trust capacity and, to the extent expressly provided therein, in its individual capacity, has or will have duly authorized, executed and delivered the Original Trust Agreement and the Trust Agreement Amendment, and (assuming the due authorization, execution and delivery of the Original Trust Agreement and Trust Agreement Amendment by the Owner Participant) each of this Agreement, the Original Participation Agreement, the Original Trust Agreement, the Original Indenture, the Original Lease and each other Operative Document, in each case solely to the extent entered into by the Owner Trustee in its individual capacity, and the Trust Agreement constitutes, a legal, valid and binding obligation of the Owner Trustee, in its individual capacity, enforceable against it in its individual capacity in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(3) assuming the due authorization, execution and delivery of the Original Trust Agreement and the Trust Agreement Amendment by the Owner Participant, each of this Agreement, the Original Participation Agreement, the Original Indenture, the Original Lease, and each other Operative Document to which it is or will be party, constitutes, and each of the Participation Agreement, when the Closing has occurred, the Indenture, when entered into, the Lease, the Lease Amend-

ment, when entered into, and the Amended and Restated Rent Schedule, when entered into, will constitute, the legal, valid and binding obligation of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(4) assuming the due authorization, execution and delivery of the Original Trust Agreement and the Trust Agreement Amendment by the Owner Participant, the Owner Trustee has duly authorized or will have duly authorized by the Refunding Date, and on the Refunding Date shall have duly issued, executed and delivered to the Loan Trustee for authentication, the Equipment Notes pursuant to the terms and provisions hereof and of the Indenture, and each Equipment Note on the Refunding Date will constitute the valid and binding obligation of the Owner Trustee and will be entitled to the benefits and security afforded by the Indenture in accordance with the terms of such Equipment Note and the Indenture;

(5) neither the execution and delivery by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of this Agreement, the Original Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Indenture, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Purchase Agreement Assignment or the Equipment Notes, nor the consummation by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or thereby, nor the compliance by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, with any of the terms and provisions hereof and thereof, (A) requires or will require any approval of its stockholders, or approval or consent of any trustees or holders of any indebtedness or obligations of it, or (B) violates or will violate its certificate of incorporation or by-laws, or contravenes or will contravene any provision of, or constitutes or will constitute a default under, or results or will result in any breach of, or

results or will result in the creation of any Lien (other than as permitted under the Lease) upon its property under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sale contract, bank loan or credit agreement, license or other agreement or instrument to which it is a party or by which it is bound, or contravenes or will contravene any law, governmental rule or regulation of the United States of America or the State of Delaware governing the trust powers of the Owner Trustee, or any judgment or order applicable to or binding on it;

(6) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any Delaware State or local governmental authority or agency or any United States federal governmental authority or agency regulating the trust powers of the Owner Trustee in its individual capacity is required for the execution and delivery of, or the carrying out by, the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or by the Trust Agreement, the Participation Agreement, the Indenture, the Lease, the Amended and Restated Rent Schedule, the Purchase Agreement Assignment or the Equipment Notes, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken;

(7) there exists no Lessor's Lien attributable to the Owner Trustee, in its individual capacity;

(8) there are no Taxes payable by the Owner Trustee, either in its individual capacity or as Owner Trustee, imposed by the State of Delaware or any political subdivision thereof in connection with the redemption of the Loan Certificates or the issuance of the Equipment Notes or the execution and delivery by the Owner Trustee in its individual capacity of the Original Trust Agreement, and in its individual capacity or as Owner Trustee, as the case may be, of any of the instruments referred to in clauses (1), (2) and (4) above, that, in each case, would not have been imposed if the Trust Estate had not been created pursuant to the laws of the State of Delaware and Wilmington Trust Company had not (a) been incorporated under the laws of, (b) had its principal place of business in, (c) performed (in its individual capacity or as Owner

Trustee) any or all of its duties under the Operative Documents in, and (d) engaged in any activities unrelated to the transactions contemplated by the Operative Documents in, the State of Delaware;

(9) there are no pending or threatened actions or proceedings against the Owner Trustee, either in its individual capacity or as Owner Trustee, before any court or administrative agency which, if determined adversely to it, would materially adversely affect the ability of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to perform its obligations under any of the instruments referred to in clauses (1), (2), (4) and (5) above;

(10) both its chief executive office, and the place where its records concerning the Aircraft and all its interests in, to and under all documents relating to the Trust Estate, are located in Wilmington, Delaware, and the Owner Trustee, in its individual capacity, agrees to give the Lessee, the Owner Participant, the Loan Trustee and the Pass Through Trustee at least 30 days' prior written notice of any relocation of said chief executive office or said place from its present location;

(11) the Owner Trustee in its individual capacity or as Owner Trustee has not directly or indirectly offered any Equipment Note or Pass Through Certificate or any interest in or to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone other than the Pass Through Trustee, the Original Loan Participant, the Initial Bank Lender and the Owner Participant; and the Owner Trustee has not authorized anyone to act on its behalf (it being understood that in arranging and proposing the refinancing contemplated hereby and agreed to herein by the Owner Trustee, the Lessee has not acted as agent of the Owner Trustee) to offer directly or indirectly any Equipment Note, any Pass Through Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or to solicit any offer to acquire any of the same from, any person; and

(12) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or voting powers agreement).

(c) The Owner Participant represents and warrants that:

(1) it is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its present business and operations and to own or lease its properties, has, or had or will have at the time of its execution, the corporate power and authority to enter into this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement, the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule, and has the corporate power and authority to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Trust Agreement and the Amended and Restated Rent Schedule; and this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement and the Original Rent Schedule have been duly authorized, executed and delivered by it, and the execution and delivery of the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule has been or will be duly authorized by it; and each of this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement and the Original Rent Schedule constitutes, and each of the Participation Agreement, when the Closing has occurred, and the Tax Indemnity Agreement, the Trust Agreement and the Amended and Restated Rent Schedule, when the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule shall have been entered into will constitute, the legal, valid and binding obligations of the Owner Participant enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity;

(2) neither (a) the execution and delivery by the Owner Participant of this Agreement, the Tax Indemnity Agreement Amendment, the Participation Agreement, the Trust Agreement Amendment, the Amended and Restated Rent Schedule or any other Operative Document to which it is or will become a party nor (b) compliance by it

with all of the provisions thereof, (1) will contravene any law or order of any court or governmental authority or agency applicable to or binding on the Owner Participant (it being understood that no representation or warranty is made with respect to laws, rules or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee other than such laws, rules or regulations relating to the citizenship requirements of the Owner Participant under applicable law), or 2) will contravene the provisions of, or constitutes or has constituted or will constitute a default under, its articles of incorporation or by-laws or any indenture, mortgage, contract or other agreement or instrument to which the Owner Participant is a party or by which it or any of its property may be bound or affected;

(3) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than as required by the Federal Aviation Act or the regulations promulgated thereunder and except for routine insurance regulatory filings which have been or will be made) is or was required, as the case may be, for the due execution, delivery or performance by it of this Agreement, the Participation Agreement, the Tax Indemnity Agreement Amendment, the Tax Indemnity Agreement, the Trust Agreement Amendment, the Trust Agreement and the Amended and Restated Rent Schedule;

(4) there are no pending or, to the knowledge of the Owner Participant, threatened actions or proceedings before any court or administrative agency or arbitrator which would materially adversely affect the Owner Participant's ability to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement and the Trust Agreement;

(5) neither the Owner Participant nor anyone authorized by it to act on its behalf (it being understood that in arranging and proposing the refinancing contemplated hereby and agreed to herein by the Owner Participant, the Lessee has not acted as agent of the Owner Participant) has directly or indirectly offered any Equipment Note or Pass Through Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone; the Owner Participant's interest in the Trust Estate and

the Trust Agreement was acquired for its own account and was purchased for investment and not with a view to any resale or distribution thereof;

(6) on the Refunding Date, the Trust Estate shall be free of Lessor's Liens attributable to the Owner Participant; and

(7) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or a voting powers agreement).

(d) The Initial Bank Lender as of the date hereof and as of the Refunding Date, and each other Bank Lender as of the date such Bank Lender acquires its Bank Equipment Notes, hereby represents, warrants and covenants to the Owner Participant, the Owner Trustee, the Loan Trustee, the Pass Through Trustee and the Lessee that:

(i) (A) such Bank Lender is acquiring its Bank Equipment Notes for its own account and not with a view to the resale or distribution thereof, provided that the disposition of its property shall at all times be and remain within its control; (B) such Bank Lender acknowledges and agrees that the Bank Equipment Notes were initially offered in a transaction not involving any public offering within the meaning of the Securities Act, and that the Bank Equipment Notes have not been and will not be registered under the Securities Act and are subject to the restrictions on their transfer set forth therein and in this Refunding Agreement; (C) such Bank Lender shall not engage in a transfer, resale or distribution of the Bank Equipment Notes, or sell any participation and/or otherwise transfer or assign all or any portion of its rights, obligations or interests in respect of any of the Bank Equipment Notes, or make any offer in respect of any of the foregoing, under circumstances which would violate any securities or similar laws or require registration under the Securities Act, or qualification of the Indenture under the Trust Indenture Act; and (D) such Bank Lender has not acquired and shall not acquire any Pass Through Equipment Notes or Pass Through Certificates;

(ii) no part of the funds to be used by such Bank Lender to acquire its Bank Equipment Notes constitutes any assets of any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Security Act

of 1974, as amended) or "plan" (as defined in Section 4975(e) of the Code);

(iii) such Bank Lender other than a Replacement Lender is a QIB and is described in one of the following clauses (A) through (C):

(A) such Bank Lender (i) is, and as long as it is a Bank Lender will be, (x) a United States branch or agency of a commercial banking institution or (y) a Cayman Islands branch or agency of a commercial banking institution having a United States branch or agency, such commercial banking institution in each case to be duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (ii) is, and as long as it is a Bank Lender will be, described in clause (b) of the definition of "Exempt Lender"; (iii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender with Internal Revenue Service Forms 4224 or any successor forms thereto with respect to each fiscal year of such Bank Lender during which it holds Bank Equipment Notes together with such other forms or documentation as may be necessary, to establish available exemptions from Taxes imposed by the United States on payments under any Operative Document, such Forms and other forms or documentation to be provided on or before the date on which it becomes a Bank Lender and from time to time thereafter on a timely basis so that such Forms or other forms or documentation are effective for all periods during which it is a Bank Lender; (iv) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all peri-

ods during which such participant is a participant; (v) will promptly notify the Lessee, the Owner Participant and the Loan Trustee if any such Forms or other forms or documentation are or become inaccurate; and (vi) has full power, authority and legal right to execute, deliver and carry out the terms of each of the Operative Documents to which it is or will be a party or by which it is or will be bound; or

(B) such Bank Lender (i) is, and as long as it is a Bank Lender will be, a commercial banking institution duly organized, validly existing and in good standing under the laws of the United States of America or any state thereof or the District of Columbia; (ii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender from time to time on a timely basis with any other forms or documentation as may be necessary to establish available exemptions from the withholding of Taxes imposed by the United States on payments under the Operative Documents; (iii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (iv) will promptly notify the Lessee, the Owner Participant and the Loan Trustee if any of such Certificates, statements, forms or documentation is or becomes inaccurate; and (v) has full power, authority and legal right to execute, deliver and carry out the terms of each of the Operative Documents to which it is or will be a party or by which it is or will be bound; or

(C) such Bank Lender (i) is, and as long as it is a Bank Lender will be, a commercial banking institution duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (ii) is, and as long as it is a Bank Lender will be, in the absence of a change in applicable law after the date it acquires its Bank Equipment Notes, a Treaty Lender; (iii) shall provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender with valid executed copies of Internal Revenue Service Forms 1001 or any successor forms thereto covering all amounts receivable by it under the Operative Documents, together with such other forms or documentation as may be necessary, to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such Forms 1001 and other forms and documentation to be provided on or before the date on which it becomes a Bank Lender and from time to time thereafter on a timely basis so that such Forms or other forms or documentation are effective for all periods during which it is a Bank Lender; (iv) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (v) will promptly notify the Lessee, the Owner Participant and the Loan Trustee if any such Certificates, Forms or other forms or documentation are or become inaccurate; and (vi) has full power, authority and legal right to execute, deliver and carry out the terms of the Operative Documents to which it is or will be a party or by which it is or will be bound;

(iv) such Bank Lender will not directly or indirectly create, incur, assume or suffer to exist any Lender Liens on or against any part of the Indenture Estate or the Trust Estate arising out of any act or omission of or claim against such Bank Lender, and each Bank Lender severally agrees that it will, at its own cost and expense, promptly take such action as may be necessary to discharge and satisfy in full any such Lender Lien; and each Bank Lender severally hereby agrees to indemnify, protect, defend and hold harmless Lessee, the Owner Participant, the Owner Trustee, the Loan Trustee and any other Bank Lender against Claims (as defined in Section 7(b) of the Participation Agreement) in any way resulting from or arising out of a breach by such Bank Lender of its obligations under this Section 10(d)(iv);

(v) such Bank Lender will not impose, directly or indirectly, any lifting charge, cable charge, remittance charge, or any other charge or fee on any transfer of funds to, through or by such Bank Lender or the Loan Trustee pursuant to any Operative Document; and

(vi) such Bank Lender is acting and will act for its own account and not as a conduit or agent for any other Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of this Refunding Agreement.

(e) Except to the extent provided in Section 14(b) of this Refunding Agreement, each Bank Lender may sell, assign, pledge or otherwise transfer all or any of its Bank Equipment Notes to a Permitted Transferee (and only to a Permitted Transferee), provided that no Bank Lender shall grant participations (any such participation, a "Participation") in any of its Bank Equipment Notes except in accordance with Section 10(f) hereof and provided, further, that, except in connection with a transfer pursuant to Section 14(b) of this Refunding Agreement, (i) any Permitted Transferee to which a Bank Lender sells, transfers or assigns all or any of its Bank Equipment Notes (any such Permitted Transferee, an "Assignee") delivers a certificate to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee in form and substance satisfactory to the Lessee setting forth representations and warranties comparable to those set forth in Section 10(d) hereof appropriate to such Assignee, and an agreement by such Assignee in form and substance satisfactory to the Lessee to be bound by the

terms relating to the Bank Lenders under the Operative Documents, no later than the effective date of such transfer, (ii) the Bank Lender effecting such transfer provides to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee notice, setting forth the name and address of such Assignee and identifies those of such Bank Lender's Bank Equipment Notes being sold, transferred or assigned to such Assignee, no later than the effective date of such transfer, (iii) such transfer complies with Section 2.04 of the Indenture and (iv) such Assignee represents and warrants to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee that, immediately after giving effect to such transfer, such Assignee shall not be entitled to indemnification for any amounts described in Section 14(a) of this Refunding Agreement or Section 7(c) of the Participation Agreement and shall not become, by reason of any Regulatory Change then effective or likely in its best judgment to become effective, entitled to any such amount described in Section 14(a) of this Refunding Agreement or Section 7(c) of the Participation Agreement. Each Bank Lender hereby agrees that (A) any such sale, assignment, pledge, transfer or Participation, and any offer to make any such sale, assignment, pledge, transfer or Participation, shall be made in accordance with this Section 10 and with all applicable laws, including without limitation the Securities Act, the Trust Indenture Act, and any other applicable laws relating to the transfers of similar interests; (B) any such sale, assignment, pledge, transfer or Participation, and any offer to make any such sale, assignment, pledge, transfer or Participation, prior to the first anniversary of the Refunding Date shall be made only to a Permitted Transferee that is a Treaty Lender and in compliance with Regulation S under the Securities Act; and (C) no such sale, assignment, pledge, transfer or Participation shall be made under circumstances that require registration under the Securities Act or qualification of an indenture under the Trust Indenture Act.

Upon any such Assignment, the Owner Trustee, the Loan Trustee, the Owner Participant and/or the Lessee shall be entitled to receive from the assigning Bank Lender or any other party effecting such assignment the reasonable expenses of the Owner Trustee, the Loan Trustee, the Owner Participant and the Lessee incurred in effecting such Assignment. Upon any such Assignment, such Assignee shall be deemed a party to this Agreement and any other Operative Document to which the Initial Bank Lender was a party.

(f) A Bank Lender may sell or agree to sell to one or more other Persons that is a Permitted Transferee a Participation in all or any of its Bank Equipment Notes in accordance with Section 10(e) hereof, but no such participant shall have any other rights or benefits as against the Owner Trustee, the Lessee, the Owner Participant or the Indenture Estate or Trust Estate under any Operative Document. All amounts payable by the Lessee to any Bank Lender under Section 14(a) of this Refunding Agreement or Section 7(b) or 7(c) of the Participation Agreement shall be determined as if such Bank Lender had not sold or agreed to sell any Participation in its Bank Equipment Notes. Notwithstanding any such Participation, (i) such Bank Lender's obligations under the Operative Documents shall remain unchanged, (ii) such Bank Lender shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (iii) the other parties to this Refunding Agreement, the Participation Agreement and the other Operative Documents shall continue to deal solely and directly with such Bank Lender in connection with such Bank Lender's Bank Equipment Notes and such Bank Lender's rights and obligations under the Operative Documents. In no event shall any Bank Lender that sells a Participation be obligated to the participant under the participation agreement governing the Participation to take or refrain from taking any action hereunder or under any of the Operative Documents except that such Bank Lender may agree in such participation agreement that it will not, without the consent of the participant, agree to any of the matters specified for each Bank Lender to approve in Sections 11.02 and 11.06 of the Indenture; and such Bank Lender shall be solely responsible for any withholding or other taxes and any filing or reporting requirements relating to such Participation and shall hold the Lessee and the Loan Trustee harmless against the same.

(g) The Pass Through Trustee represents, warrants and covenants that:

(1) the Pass Through Trustee is a national banking association duly organized and validly existing in good standing under the laws of the United States of America, and has the full corporate power, authority and legal right under the laws of the State of Connecticut and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of the Pass Through Trust Documents and this Agreement and to perform its obligations under this Agreement,

the Pass Through Trust Documents and the Participation Agreement;

(2) each of the Pass Through Trust Documents and this Agreement has been or will have been duly authorized, executed and delivered by the Pass Through Trustee; this Agreement, each of the Pass Through Trust Documents and the Participation Agreement constitute or will constitute the legal, valid and binding obligations of the Pass Through Trustee enforceable against it in accordance with their respective terms;

(3) none of the execution, delivery and performance by the Pass Through Trustee of each of the Pass Through Trust Documents, this Agreement and the Participation Agreement, the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to this Agreement, and the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents, contravene any law, rule or regulation of the State of Connecticut or any United States governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers or any judgment or order applicable to or binding on the Pass Through Trustee and do not contravene or result in any breach of, or constitute a default under, the Pass Through Trustee's Articles of Association or By-Laws or any agreement or instrument to which the Pass Through Trustee is a party or by which it or any of its properties may be bound;

(4) neither the execution and delivery by the Pass Through Trustee of any of the Pass Through Trust Documents or this Agreement nor the consummation by the Pass Through Trustee of any of the transactions contemplated hereby or thereby or by the Participation Agreement requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action with respect to, any Connecticut governmental authority or agency or any Federal governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers;

(5) there are no Taxes payable by the Pass Through Trustee imposed by the State of Connecticut or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Pass Through Trustee of this Agreement, any of the Pass Through Trust Documents or the Partici-

pation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents), and there are no Taxes payable by the Pass Through Trustee imposed by the State of Connecticut or any political subdivision thereof in connection with the acquisition, possession or ownership by the Pass Through Trustee of any of the Equipment Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents) and, assuming that the trusts created by the Pass Through Trust Supplements will not be taxable for Federal income tax purposes as corporations, but, rather, each will be characterized as a grantor trust under subpart E, Part I of Subchapter J of the Code, such trusts will not be subject to any Taxes imposed by the State of Connecticut or any political subdivision thereof;

(6) there are no Taxes payable by the Pass Through Trustee imposed by the Commonwealth of Massachusetts or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Pass Through Trustee of this Agreement, any of the Pass Through Trust Documents or the Participation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents), and there are no Taxes payable by the Pass Through Trustee imposed by the Commonwealth of Massachusetts or any political subdivision thereof in connection with the acquisition, possession or ownership by the Pass Through Trustee of any of the Equipment Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents) and, assuming that the trusts created by the Pass Through Trust Supplements will not be taxable for federal income tax purposes as corporations, but, rather, each will be characterized as a grantor trust under subpart E, Part I of Subchapter J of the Code, such trusts will not be subject to

any Taxes imposed by the Commonwealth of Massachusetts or any political subdivision thereof;

(7) there are no pending or threatened actions or proceedings against the Pass Through Trustee before any court or administrative agency which individually or in the aggregate, if determined adversely to it, would materially adversely affect the ability of the Pass Through Trustee to perform its obligations under this Agreement, the Participation Agreement or any Pass Through Trust Document;

(8) except for the issue and sale of the Pass Through Certificates contemplated hereby, the Pass Through Trustee has not directly or indirectly offered any Pass Through Equipment Note for sale to any Person or solicited any offer to acquire any Equipment Notes from any Person, nor has the Pass Through Trustee authorized anyone to act on its behalf to offer directly or indirectly any Equipment Note for sale to any Person, or to solicit any offer to acquire any Equipment Note from any Person; and the Pass Through Trustee is not in default under any Pass Through Trust Document; and

(9) the Pass Through Trustee is not directly or indirectly controlling, controlled by or under common control with the Owner Participant, the Owner Trustee, any Underwriter or the Lessee.

(h) The Original Loan Participant represents and warrants

that:

(1) as of the Refunding Date it is the owner of an Original Loan Certificate in the aggregate principal amount of \$54,660,452.69 free and clear of Liens attributable to it; and

(2) this Agreement has been duly authorized, executed and delivered by the Original Loan Participant and constitutes the legal, valid and binding obligation of the Original Loan Participant, enforceable against the Original Loan Participant in accordance with its terms, except as such enforceability may be limited by application of bankruptcy, insolvency, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity.

(i) The Indenture Trustee represents and warrants that this Agreement has been duly authorized, executed and delivered by it.

SECTION 11. NOTICES. Unless otherwise specifically provided herein, all notices required or permitted by the terms of this Agreement shall be in English and in writing, and any such notice shall become effective upon being deposited in the United States mail, with proper postage for first-class registered or certified mail prepaid, or when delivered personally or, if promptly confirmed by mail as provided above, when dispatched by telegram, telex, facsimile or other written telecommunication, addressed if to the Lessee, the Owner Participant, the Owner Trustee, the Initial Bank Lender, the Pass Through Trustee, the Original Loan Participant, the Indenture Trustee or the Loan Trustee, at their respective addresses or telex or facsimile numbers set forth below the signatures of such parties at the foot of this Agreement. Unless and until otherwise directed by the Initial Bank Lender by notice to the Owner Trustee, the Loan Trustee and the Lessee, any payments required to be made to the Initial Bank Lender shall be made to the bank account specified for such Initial Bank Lender in Schedule I to this Refunding Agreement.

SECTION 12. EXPENSES. (a) Except as provided in paragraph (c) below, and subject to paragraph (b) below, and without duplication of any amounts payable under Section 9(a) of the Participation Agreement, all of the initial out-of-pocket costs, fees and expenses incurred by the Indenture Trustee, the Owner Trustee, the Initial Bank Lender, the Owner Participant, the Pass Through Trustee, the Loan Trustee and the Original Loan Participant (in each case, to the extent set forth below) in connection with the transactions contemplated by this Agreement, the other Operative Documents, the Pass Through Trust Supplements, and the Underwriting Agreement shall be paid promptly by the Owner Participant including, without limitation,

(1) the reasonable fees, expenses and disbursements allocable to the Equipment Notes issued under the Indenture of (A) Bingham, Dana & Gould, special counsel for the Pass Through Trustee and the Loan Trustee, (B) Potter Anderson & Corroon, special counsel for the Owner Trustee, (C) Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, (D) Shearman & Sterling, special counsel for the Underwriters of the Pass Through Certificates in an amount separately agreed, (E) Debevoise & Plimpton, special counsel for the Les-

see in an amount separately agreed and (F) Vedder, Price, Kaufman, Kammholz & Day, special counsel to the Original Loan Participant;

(2) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant;

(3) the reasonable fees, expenses and disbursements of Coudert Brothers, special counsel for the Initial Bank Lender; and

(4) all other reasonable expenses incurred in connection with such actions and transactions, including, without limitation, the fees, expenses and/or commissions payable to each of the Underwriters in connection with the offering and sale of the Pass Through Certificates, the commitment fee payable to the Initial Bank Lender in the amount separately agreed, printing and document production or reproduction expenses and its proportionate share of all fees, taxes and other charges payable in connection with the offering and sale of the Pass Through Certificates and with the recording or filing of any instruments and financing statements required to be recorded or filed in connection with the transactions contemplated by this Section 12, in each case allocable to the Equipment Notes issued under the Indenture;

provided that the aggregate amount of the costs, fees and expenses payable by the Owner Participant pursuant to this Section 12, together with the costs, fees and expenses payable by the Owner Participant pursuant to Section 12 of the Refunding Agreements (AA 1995 PTC Series AA) and (AA 1995 PTC Series AC) (the "Other Refunding Agreements"), each dated as of the date hereof, shall not be in excess of 1% of the aggregate principal amount of the equipment notes issued on the Refunding Date pursuant to the Indenture and the Other Indentures. To the extent, if any, that the costs, fees and expenses referred to in this Section 12 and Section 12 of the Other Refunding Agreements shall be in excess of 1% of the aggregate principal amount of the equipment notes issued on the Refunding Date pursuant to the Indenture and the Other Indentures, such costs, fees and expenses shall be paid by the Lessee.

Notwithstanding the foregoing, the Lessee shall pay, in those amounts separately agreed, the fees, expenses and disbursements of Debevoise & Plimpton, special counsel

for the Lessee, and the fees and expenses of Babcock & Brown, the Lessee's financial advisor.

(b) The Owner Participant prior to the payment thereof will send copies of any invoices received by it with respect to any of the foregoing fees, expenses and disbursements constituting transaction costs to the Lessee for the Lessee's review and approval, such approval not to be unreasonably withheld or delayed.

(c) In the event that the transactions contemplated by this Section 12 and the agreements referred to herein are not consummated, the Lessee shall, except as provided in the Underwriting Agreement with regard to fees and expenses of the Underwriters, bear and pay all costs, expenses and fees referred to in this Section 12; provided that: (i) if the transaction fails to be consummated as a result of the failure of the Owner Participant to act in good faith in consummating the transactions, or otherwise comply with the terms hereof, the Owner Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid; and (ii) if the transaction fails to be consummated as a result of the failure of the Initial Bank Lender to act in good faith in consummating the transactions, or otherwise comply with the terms hereof, the Initial Bank Lender shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid.

SECTION 13. TERMS OF SWAP TRANSACTION. (a) Subject to Section 2(c), the terms of the interest rate swap transaction to be entered into by the Initial Bank Lender are described in Exhibit N hereto, as such Exhibit N may be modified to reflect any changes in dates and the actual Fixed Rate applicable to such swap transaction as determined pursuant to Section 2 of this Refunding Agreement. Such Exhibit N shall constitute a part hereof as if the terms thereof were set forth herein in full.

(b) Each Bank Lender agrees that, upon notice from the Owner Trustee or the Lessee or upon otherwise learning of the possibility of the occurrence of (i) any of the events described in Section 6.01 of the Indenture or (ii) an acceleration or a redemption (or purchase in lieu of redemption) of the Bank Equipment Notes, such Bank Lender

(or, if the Initial Bank Lender is the sole counterparty to the Actual Swap, the Initial Bank Lender) shall promptly (A) to the extent permitted by applicable law, notify the Lessee and the Owner Trustee of such possibility and (B) thereafter provide the Lessee and the Owner Trustee with a non-binding good faith estimate of the Break Funding Amount.

(c) In the event any of the Bank Equipment Notes are redeemed (or purchased in lieu of redemption) pursuant to Section 6.01 of the Indenture, the Owner Trustee hereby directs each Bank Lender, and each Bank Lender hereby agrees, to pay directly to the Lessee an amount equal to any Swap Breakage Gain. In the event any of the Bank Equipment Notes are accelerated or redeemed (or purchased in lieu of redemption) as a result of an Indenture Event of Default that also constitutes a Lease Event of Default that has occurred and is continuing, the Owner Trustee hereby directs each Bank Lender that is a swap counterparty to the Actual Swap, and each such Bank Lender hereby agrees, to pay directly to the Lessee an amount equal to any Swap Breakage Gain; provided that no Bank Lender shall be required to make any such payment to the Lessee pursuant to this sentence unless the Bank Equipment Notes held by such Bank Lender that are subject to such acceleration or redemption (or purchase in lieu of redemption) shall have been paid in full. Notwithstanding the foregoing, in the event any of the Bank Equipment Notes are accelerated or redeemed (or purchased in lieu of redemption) as a result of an Indenture Event of Default that does not also constitute a Lease Event of Default, the Owner Trustee hereby directs each Bank Lender that is a swap counterparty to the Actual Swap, and each such Bank Lender hereby agrees, to pay directly to the Owner Trustee for distribution pursuant to the Trust Agreement, an amount equal to any Swap Breakage Gain; provided that no Bank Lender shall be required to make any such payment to the Owner Trustee pursuant to this sentence unless the Bank Equipment Notes held by such Bank Lender that are subject to such acceleration or redemption (or purchase in lieu of redemption) shall have been paid in full.

SECTION 14. ADDITIONAL COSTS. (a) (i) Additional Costs.

If a Regulatory Change with respect to the Initial Bank Lender or any Permitted Transferee shall (A) impose on such Bank Lender any reserve, special deposit or any similar requirement with respect to the loan evidenced by its Bank Equipment Notes or any capital adequacy requirement requiring the maintenance by such Bank Lender of additional capital with respect to the loan evidenced by its

Bank Equipment Notes, or (B) change the basis of taxation in the jurisdictions in which such Bank Lender has either its principal office or the lending office through which it is participating in the Bank Equipment Notes (for such Bank Lender, its "Lending Office") of any amounts payable to such Bank Lender under the Indenture (other than any change with respect to (1) Taxes based on or imposed on or with respect to or measured by the capital, receipts or franchises of such Bank Lender or the overall net or gross income of such Bank Lender or such Lending Office, or (2) Taxes imposed on such Bank Lender or such Lending Office in lieu of or as a direct substitute for any Tax described in the preceding clause (1)) and as a result of any of the foregoing there shall be any material increase in the actual cost to such Bank Lender of making, funding or maintaining the loan evidenced by its Bank Equipment Notes or any material reduction in the amount receivable by such Bank Lender in respect thereof, in either case where such event does not arise from the gross negligence or willful misconduct of such Bank Lender, from its breach of any of its representations, warranties or covenants contained in any Operative Document or from its failure to comply with any such Regulatory Change (any such increase or reduction being referred to herein as an "Additional Cost"), then, upon demand made by such Bank Lender to the Owner Trustee, with a copy thereof to the Lessee, following the applicable Regulatory Change, the Owner Trustee shall pay directly to such Bank Lender from time to time, commencing within 15 days of the presentation by such Bank Lender of the certificate specified in the final sentence of the first paragraph of Section 14(a)(ii) hereof, an amount equal to the Additional Costs accruing from the date of delivery of such certificate. Notwithstanding any of the foregoing, the Owner Trustee's obligation to pay Additional Costs shall be limited to making such payments when and to the extent the Owner Trustee receives a corresponding payment of Supplemental Rent from the Lessee.

(ii) Notices, Mitigation and Determinations. Each Bank Lender will notify the Owner Trustee and the Lessee of any event occurring after the date of this Agreement (or, if later, after the date on which such Bank Lender purchased its Bank Equipment Notes) that will entitle such Bank Lender to compensation under Section 14(a)(i) hereof or Section 7(c) of the Participation Agreement as promptly as practicable, but, in the case of Section 14(a)(i) hereof, in any event within 30 days after the enactment date of the relevant Regulatory Change. As a condition to a Bank Lender's receiving compensation pursuant to this Section

14(a)(i) or Section 7(c) of the Participation Agreement, each such Bank Lender shall use its best efforts to avoid the need for, or to reduce the amount of, such compensation, and such Bank Lender shall take all reasonable steps to so avoid the need for, or reduce the amount of, such compensation, including, without limitation, designating a different Lending Office of such Bank Lender (other than a Lending Office that would render such Bank Lender no longer a Treaty Lender or an Exempt Lender, as the case may be), for the Bank Equipment Notes; provided that such Bank Lender shall not be obligated to take any steps that will, in its reasonable opinion, impose any material loss, cost, expense or liability upon such Bank Lender. The affected Bank Lender shall furnish to the Owner Trustee and the Lessee (A) in the case of Section 14(a)(i) hereof, an opinion of counsel describing the Regulatory Change giving rise to the need for the payment of such compensation pursuant to Section 14(a)(i) hereof and (B) an Officer's Certificate describing in reasonable detail the facts giving rise to such Bank Lender's right to the payment of such compensation pursuant to, and the basis in reasonable detail of computing such compensation under, as applicable, this Section 14(a) or Section 7(c) of the Participation Agreement, including, without limitation, a description of the steps taken by such Bank Lender to avoid or mitigate the amount of any such compensation referred to in this Section 14(a) or Section 7(c) of the Participation Agreement and certifying that such Bank Lender has complied with its obligations under this Section 14(a) or Section 7(c) of the Participation Agreement.

Notwithstanding the foregoing provisions of this Section 14(a), in no event shall the Owner Trustee be required to make payments under this Section 14(a) in respect of any Regulatory Change proposed by any applicable governmental authority (including any branch of a legislature), central bank or comparable agency and pending as of the date of this Refunding Agreement or, in the case of any Bank Lender that is an Assignee pursuant to Section 10(e) hereof, pending as of the date of the transfer. In addition, the Owner Trustee shall not be required to make payments under this Section 14(a) to any Bank Lender if such Bank Lender's claim hereunder arises through circumstances peculiar to such Bank Lender and which do not affect commercial banking institutions in the same jurisdiction generally. No Bank Lender shall seek payment with respect to Additional Costs hereunder if such Bank Lender is not also seeking payment for similar increased costs in other similarly situated transactions.

(b) Certain Transfers of Bank Equipment Notes. If any Bank Lender requests compensation for any amounts pursuant to Section 14(a) hereof or Section 7(c) of the Participation Agreement, the Owner Trustee shall, but only at the express direction of the Lessee (which direction the Lessee may, in its sole discretion, elect to give), require that such Bank Lender transfer its Bank Equipment Notes and all of its rights and obligations as a "Bank Lender" under its Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture to any Person or Persons (such Person or Persons being herein referred to as the "Replacement Lender(s)") identified by the Owner Trustee (as so directed by the Lessee) in a notice (the "Replacement Notice") to such Bank Lender specifying the date on which such transfer is requested to occur, the name(s) of the Replacement Lender(s) to which its interest in the Bank Equipment Notes is to be transferred and the portion thereof to be transferred to each, which notice shall be given not less than 15 Business Days prior to the date on which such transfer is to occur. Promptly after its receipt of any such notice from the Owner Trustee, unless such notice indicates that the Replacement Lender(s) do not desire an assignment of the Actual Swap, if any, or Swap Participation, if any, to which the affected Bank Lender is at such time a party, (x) if such affected Bank Lender is party to an Actual Swap, such affected Bank Lender shall ascertain whether its Swap Counterparty, if any, shall agree to an assignment of its Actual Swap by such Bank Lender to the proposed Replacement Lender(s) to the extent of their proposed respective interest in the Bank Equipment Notes and (y) if such affected Bank Lender is a party to a Swap Participation, such affected Bank Lender shall ascertain whether the Initial Bank Lender shall agree to extend the Swap Participation to the proposed Replacement Lender(s) to the extent of their proposed respective interest in the Bank Equipment Notes (the Initial Bank Lender hereby agreeing to take all commercially reasonable steps to accommodate such request). The affected Bank Lender shall promptly notify the Owner Trustee and the Lessee as to whether its Swap Counterparty shall accept such assignment to the Replacement Lender(s), or as to whether the Initial Bank Lender shall extend a Swap Participation to the Replacement Lender(s). On the date of the requested relevant transfer, (x) the affected Bank Lender shall sell, assign and transfer to the Replacement Lender(s), and the Replacement Lender(s) shall acquire and assume from the affected Bank Lender, all of the rights and obligations of the affected Bank Lender as a "Bank Lender" under the Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture (and, if the affected Bank Lender has an

Actual Swap or Swap Participation being assigned to such Replacement Lender, under such Actual Swap or Swap Participation) by executing and delivering an agreement in form and substance reasonably satisfactory to the Lessee to be bound by the terms of the Operative Documents and containing such amendments to the representations, warranties and agreements to be made by such Replacement Lender and the indemnities in favor of such Replacement Lender as the Lessee may agree (for purposes of this Section 14(b), collectively, the "Transferred Interest"), (y) the Lessee and/or the Replacement Lender(s) shall pay to the affected Bank Lender an amount equal to all principal, interest and other amounts then owing under this Agreement and the Indenture in respect of the Transferred Interest (and, unless the affected Bank Lender has an Actual Swap or Swap Participation being assigned to the Replacement Lender(s), plus an amount equal to any Swap Breakage Losses, or minus an amount equal to any Swap Breakage Gains, that would be payable by or to such Bank Lender if such Bank Lender's Bank Equipment Notes were being redeemed in full), and (z) the Lessee and/or the Replacement Lender(s) shall pay to the affected Bank Lender an amount equal to all reasonable costs or expenses incurred by such Bank Lender in connection with such transfer, whereupon the Replacement Lender(s) shall each become a "Bank Lender" for all purposes of this Agreement having, except as aforesaid, all the rights and obligations under this Agreement, the Indenture and the other Operative Documents of each "Bank Lender" holding their share of the Transferred Interest, and the obligations of the affected Bank Lender in respect of the Transferred Interest shall terminate. In the event the affected Bank Lender is a party to a Swap Participation and such Swap Participation is not being assigned to the Replacement Lender(s), the Initial Bank Lender agrees to terminate the Swap Transaction to the extent of such Swap Participation.

SECTION 15. PREFUNDING. (a) To enable the Original Loan Certificates to be redeemed on the Refunding Date in accordance with the terms of this Agreement and the Original Indenture, the Initial Bank Lender shall pay by no later than 2:00 P.M. on the Business Day next preceding the Refunding Date (the "Funding Date"), an amount equal to the aggregate purchase price of the Bank Equipment Notes to be issued to it on the Refunding Date, to State Street Bank and Trust Company of Connecticut, National Association's account at State Street Bank and Trust Company, Boston, Massachusetts, ABA # 011-000-028, Account # 9900-3147, Attention: Lisa Guymont, Re: American Airlines AA 1995 PTC Series AB (the "Account"), the funds so paid by the Initial

Bank Lender (the "Deposit") to be (x) held by State Street Bank and Trust Company of Connecticut, National Association ("State Street") in trust for the benefit of the Initial Bank Lender and (y) invested by State Street pursuant to Section 15(c) hereof; provided that, if the Refunding Date is delayed for any reason and the Lessee shall have given telephonic notice to the Initial Bank Lender no later than the close of business on the fourth Business Day next preceding the originally scheduled Funding Date, the Initial Bank Lender shall not make the payment provided for in this Section 15(a) on the originally scheduled Funding Date, the Funding Date may be postponed to such later date (such date to be not later than July 31, 1995) as the Lessee shall designate in writing to the Initial Bank Lender, which later date shall be at least four Business Days following the date on which the Lessee delivers written notice designating the delayed Funding Date, and the payment by the Initial Bank Lender provided for in this Section 15(a) shall be made on such delayed Funding Date.

(b) The Lessee shall pay interest to the Initial Bank Lender on the amount of its Deposit for the period from and including the Funding Date to but excluding the earlier of (i) the Refunding Date or (ii) the date such Deposit is returned to the Initial Bank Lender. Such interest shall accrue on the amount of the Deposit at a rate per annum equal to 80 basis points plus the Initial Bank Lender's overnight cost of funds (or, if higher, 80 basis points plus the floating rate base then applicable to the Initial Bank Lender as floating rate payor under any then-applicable Swap), as certified by the Initial Bank Lender to the Lessee. Accrued interest on the Deposit shall be due and payable to the Initial Bank Lender on the earlier of the dates specified in clauses (i) and (ii) of the preceding sentence.

(c) The Deposit will be invested and reinvested in Permitted Investments (as defined below) by State Street at the sole direction, for the account and at the risk of the Lessee and any earnings on the investment of such Deposit will, on the Refunding Date or on the date such Deposit is returned to the Initial Bank Lender and following payment by the Lessee to such Initial Bank Lender pursuant to clause (b) above, be paid over to the Lessee. Any directions of the Lessee to State Street hereunder may be given via telephone or facsimile. Funds paid by the Initial Bank Lender into the Account (exclusive of any earnings that are to be paid to the Lessee pursuant to the first sentence of this paragraph) will, at the direction of such Initial

Bank Lender or its representative to State Street (i) be applied by State Street as provided in Section 1 hereof or (ii) if the refunding does not occur on any scheduled Refunding Date (or any postponed Refunding Date) and the Lessee has not given timely notice to the Initial Bank Lender of a postponed Funding Date in accordance with Section 15(a) above, be returned on (or, if instructed by the Lessee in writing, prior to) the Refunding Date (or such postponed Refunding Date) to the Initial Bank Lender. The Lessee shall reimburse the Account on demand of State Street or the Initial Bank Lender for any loss, cost or expense incurred as a result of any investment by State Street in accordance with the terms hereof.

(d) "Permitted Investments" means any investment in (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A-1 by Standard & Poor's Corporation or P-2 by Moody's Investors Service, Inc., (iii) time deposits with, including certificates of deposit issued by, any bank or trust company the senior debt securities of which, or if the bank or trust company is owned by a holding company the senior debt securities of such holding company, are rated at least A- by Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. or A3 by Moody's Investors Service, Inc., (iv) repurchase agreements with respect to securities described in clause (i) above entered into with an office of a bank or trust company meeting the criteria specified in clause (iii) above or (v) investments in money market programs of investment companies registered under the Investment Company Act of 1940, as amended, provided that such money market programs invested only in instruments of the types described above in clauses (i) through (iii).

(e) The duties of State Street under this Section 15 are limited to those specifically set forth in this Section 15. State Street shall hold the funds in the Account in trust for the Initial Bank Lender and shall give such funds the same degree of care it gives other similar property held in such a capacity. State Street shall have no responsibility to determine the authenticity or validity of any notice, instruction, request or other document delivered to it and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and purporting to have been given by the proper party or parties. State Street's only duties and responsibilities

hereunder shall be to hold and dispose of the funds in the Account in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, State Street shall have no responsibility for any loss allocable to the Account from any investment made by State Street in accordance with this Section 15. Upon making payment of the Account in the manner provided in this Agreement, State Street shall have no further liability hereunder for such paid amount so delivered.

SECTION 16. MISCELLANEOUS. (a) Except as otherwise provided for herein, the representations, warranties and agreements herein of the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee, the Owner Participant, the Original Loan Participant, the Initial Bank Lender, the Bank Lenders and the Pass Through Trustee, and the Lessee's, the Owner Trustee's, the Loan Trustee's, the Owner Participant's, the Initial Bank Lender's, the Bank Lenders' and the Pass Through Trustee's obligations under any and all thereof, shall survive the expiration or other termination of this Agreement and the other agreements referred to herein.

(b) Neither the Owner Participant nor the Pass Through Trustee shall have any obligation or duty to the Lessee with respect to the transactions contemplated hereby except those obligations or duties expressly set forth herein, in the Participation Agreement, or, in the case of the Owner Participant, in the Tax Indemnity Agreement, or, in the case of the Pass Through Trustee, in the Pass Through Trust Documents.

(c) The parties hereto agree that all Operative Documents hitherto designated "(AA 1992 AF-2)" are hereby redesignated "(AA 1995 PTC Series AB)".

(d) Neither the Pass Through Certificates nor any Equipment Note shall be registered on any securities exchange without the consent of the Lessee.

(e) This Agreement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Agreement including a signature page executed by each of the parties hereto shall be an original counterpart of this Agreement, but all of such counterparts together shall constitute one instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement

of the termination, amendment, supplement, waiver or modification is sought or (in the case of such enforcement against the Bank Lenders) by the holders of a majority in principal amount of Outstanding Bank Equipment Notes; and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to the Loan Trustee. The index preceding this Agreement and the headings of the various Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Lessee and, subject to the terms of the Participation Agreement, its successors and permitted assigns, the Original Loan Participants, the Initial Bank Lender and, subject to the terms of Sections 10(e) and 14, its permitted successors and assigns as Bank Lenders hereunder and under the Indenture, the Pass Through Trustee and its successors as Pass Through Trustee (and any additional trustee appointed) under any of the Pass Through Trust Documents, the Loan Trustee and its successors as Loan Trustee (and any additional Loan Trustee appointed) under the Indenture, the Indenture Trustee, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement, and the Owner Participant and, subject to the provisions of the Participation Agreement, its successors and permitted assigns. No purchaser or holder of any Equipment Notes shall be deemed to be a successor or assign of any of the Original Loan Participants. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_

Name:  
Title:

Address: 4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155

Attention: Vice President  
and Treasurer

Facsimile: (817) 967-4318  
Telephone: (817) 963-1234

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T  
CREDIT CORPORATION),  
as Owner Participant

By \_\_\_\_\_

Name:  
Title:

Address: 44 Whippany Road  
Morristown, New Jersey 07960

Attention: \_\_\_\_\_  
Facsimile: (201) 397-4365  
Telephone: (201) 397-3000

WILMINGTON TRUST COMPANY,  
not in its individual capacity, except  
as otherwise provided herein, but  
solely as Owner Trustee

By \_\_\_\_\_

Name:  
Title:

Address: Rodney Square North  
1100 N. Market Street  
Wilmington, Delaware 19890-0001

Attention: Corporate Trust  
Administration  
(AA 1995 PTC Series AB)

Facsimile: (302) 651-8882  
Telephone: (302) 651-1000

STATE STREET BANK AND TRUST COMPANY OF  
CONNECTICUT, NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as otherwise expressly  
provided herein, but solely as Loan  
Trustee

By \_\_\_\_\_

Name:  
Title:

Address: c/o State Street Bank and Trust Company  
Two International Place--4th Floor  
Boston, Massachusetts 02110

Attention: Corporate Trust Department  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

\_\_\_\_\_  
as Original Loan Participant

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
Attention: \_\_\_\_\_  
Facsimile: \_\_\_\_\_  
Telephone: \_\_\_\_\_

THE MITSUBISHI TRUST AND BANKING CORPORATION,  
NEW YORK BRANCH, as Initial Bank Lender

By \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
  
Address: 520 Madison Avenue  
New York, New York 10022  
Attention: Vice President Special Finance  
Facsimile: (212) 486-0970  
Telephone: (212) 858-7700

STATE STREET BANK AND TRUST COMPANY OF  
CONNECTICUT, NATIONAL ASSOCIATION,  
as Pass Through Trustee under the Pass  
Through Trust Agreement and each of one or  
more separate Pass Through Trust  
Agreements

By \_\_\_\_\_

Name:  
Title:

Address: c/o State Street Bank and Trust Company  
Two International Place--4th Floor  
Boston, Massachusetts 02110  
Attention: Corporate Trust Department  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION  
as Indenture Trustee

By \_\_\_\_\_

Name:  
Title:

Address: Corporate Trust Lease  
Administration  
600 Peachtree St., Suite 900  
Atlanta, GA 30308  
Facsimile: (404) 607-6362  
Telephone: (404) 607-4681

[Included as Exhibit 4(b)(14)]

GUARANTEE  
(AA 1995 PTC Series \_\_\_)

GUARANTEE, dated as of \_\_\_\_\_, 1995 by State Street Bank and Trust Company, a Massachusetts corporation (the "GUARANTOR") to and for the benefit of each person listed on Schedule I hereto (collectively, together with their successors and permitted assigns, the "BENEFICIARIES" and, individually, a "BENEFICIARY").

WITNESSETH:

WHEREAS, State Street Bank and Trust Company of Connecticut, National Association, a wholly-owned subsidiary of the Guarantor (the "SUBSIDIARY") wishes to act as trustee pursuant to the agreements listed on Schedule II hereto (as amended, modified or supplemented from time to time, the "AGREEMENTS").

WHEREAS, the Beneficiaries are willing to have the Subsidiary act in such capacity under the Agreements provided that the Guarantor executes and delivers this Guarantee;

WHEREAS, the Guarantor has determined that the execution and delivery by it of this Guarantee is necessary in order to conduct, promote and attain the business of the Subsidiary and the Guarantor;

NOW, THEREFORE, the Guarantor hereby agrees with and for the benefit of the Beneficiaries as follows:

1. GUARANTEE.

(a) The Guarantor hereby unconditionally and irrevocably guarantees to each of the Beneficiaries the prompt and complete payment by the Subsidiary when due of, and the faithful performance of, and compliance with, all payment obligations of the Subsidiary under the Agreements and each other document referred to therein to which the Subsidiary is a party or by which the Subsidiary is bound (collectively, the "RELEVANT DOCUMENTS"), in accordance with the terms thereof and the timely performance of and compliance with all other obligations of the Subsidiary thereunder (such payment and other obligations, the "OBLIGATIONS"). In no event, however, shall the agreement contained herein be construed to constitute a guarantee of any amount due with respect to acts or events occurring after such time, if any, that the Subsidiary ceases to be a party to the Relevant Documents.

(b) Until such time as all of the Obligations have been paid and performed in full, no payment or payments made by the Subsidiary, the Guarantor, any other guarantor or any other person or received or collected by any Beneficiary from the Subsidiary, the Guarantor, any other guarantor or any other person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder except as to the Beneficiary receiving such payment and solely by and to the extent of the net amount thereof actually received and retained by such Beneficiary, and subject in each case to the other provisions of this Guarantee (including but not limited to Paragraph 3 hereof). In no event shall any such payment or payments be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder for the payment and performance in full of all of the Obligations.

(c) If for any reason any Obligations to be performed or observed by the Subsidiary shall not be observed or performed, or if any amount payable by the Subsidiary referred to in Section 1(a) hereof shall not be paid when due and payable, the Guarantor shall promptly perform or observe or cause to be performed or observed each such Obligation or undertaking and shall forthwith pay such amount at the place and to the person or entity entitled thereto pursuant to the Relevant Documents.

2. Amendments etc., with respect to the Obligations: Waiver of Rights. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor and without notice to or further assent by the Guarantor, any demand for payment or performance of any of the Obligations made by any Beneficiary may be rescinded by such party and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by any Beneficiary and any Relevant Document and/or any collateral security document or other guarantee or document in connection therewith, may be amended, modified, supplemented or terminated, in whole or in part, as the parties thereto may deem advisable from time to time, and any right, title or interest in or to any Relevant Documents, or the Aircraft (as defined in the Agreement), or any collateral security, guarantee or right of offset at any time held by any Beneficiary for the payment or performance of the Obligations may be sold, exchanged, waived, surrendered, released, transferred or otherwise disposed of. Without limiting the foregoing, the Guarantor unconditionally waives, to the fullest extent permitted by law, (a) notices of the creation of any Obligation under the Relevant Documents or any notice of or proof of reliance by any of the Beneficiaries upon this Guarantee or acceptance of this Guarantee (the Obligations shall conclusively be deemed to have been created, contracted, incurred or renewed, extended, amended or waived in reliance upon this Guarantee and all dealings between the Subsidiary or the Guarantor and any Beneficiary shall be conclusively presumed to have been had or consummated in reliance upon this Guarantee), (b) all notices that may be required by statute, rule of law or

otherwise, now or hereafter in effect, to preserve intact any rights of any of the Beneficiaries against the Guarantor, including, without limitation, any demand, presentment and protest, proof of notice of nonpayment under any Relevant Document, and notice of default or any failure on the part of the Subsidiary to perform or comply with any Obligation, (c) any right to the enforcement, assertion or exercise by any of the Beneficiaries of any right, power, privilege or remedy conferred herein or in any Relevant Document or otherwise, (d) any requirement of promptness or diligence on the part of any of the Beneficiaries, (e) any notice of the sale, exchange, waiver, surrender, release, transfer or other disposition of any right, title or interest in or to any Relevant Document, or the Aircraft (as defined in the Agreement), or any collateral security, guarantee or right of offset at any time held by any Beneficiary for the payment or performance of the Obligations, or (f) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety, or that might otherwise limit recourse against the Guarantor.

3. Guarantee Absolute and Unconditional. The Guarantor understands and agrees that this Guarantee shall be construed as a primary obligation of the Guarantor and is a present, continuing, absolute and unconditional guarantee of payment and performance (and not merely of collection) without regard to any defense, set-off or counterclaim (other than a defense of payment or performance in full) that may at any time be available to or be asserted by the Subsidiary against any Beneficiary. When pursuing its rights and remedies hereunder against the Guarantor, any Beneficiary may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Subsidiary or any other person or entity or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by any Beneficiary to pursue such other rights or remedies or to collect any payments from the Subsidiary or any such other person or entity or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Subsidiary or any such other person or entity or any such collateral security, guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the right and remedies, whether express, implied or available as a matter of law, of any Beneficiary against the Guarantor. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, in whole or in part, of any of the sums due to any of the Beneficiaries pursuant to the terms of any Relevant Document is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, reorganization, arrangement, adjustment, composition, dissolution, liquidation, or the like, of the Subsidiary or the Guarantor, or upon or as a result of, the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Subsidiary or the Guarantor or any substantial part of their respective property, or otherwise, all as though such payment had not been made notwithstanding any termination of this Guarantee or any other Relevant Document. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor and the successors and assigns thereof, and shall inure to the benefit of the Beneficiaries, and their respective successors, transferees and assigns, until all of the Obligations and the obligations of the Guarantor under this Agreement shall have been satisfied by payment and performance in full.

4. Representations and Warranties. The Guarantor hereby represents and warrants that:

(a) the Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) the Guarantor has all requisite power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guarantee, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guarantee;

(c) this Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally;

(d) the execution, delivery and acceptance of this Guarantee, and the performance by the Guarantor of its obligations hereunder, do not and will not violate or result in a breach of or default under (or any event that with notice or the passage of time, or both, would constitute such a violation, breach or default) the respective certificate of incorporation, by-laws or other corporate organizational documents of the Guarantor or the Subsidiary, any Relevant Document or other agreement, instrument or contractual obligation to which the Guarantor or the subsidiary is party or by which either of them or any of their respective properties are bound, or any law, statute, rule, regulation, judgment, order or decree applicable to the Guarantor or the Subsidiary;

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other entity or person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guarantee;

(f) the Guarantor is a bank with a combined capital and surplus of at least \$500,000,000, as determined in accordance with generally accepted accounting principles; and

(g) the Guarantor owns all of the capital stock of the Subsidiary.

5. Indemnity. The Guarantor hereby agrees to pay all reasonable costs and expenses (including, without limitation, counsel fees) of all parties to the Relevant Documents incurred in connection with this Guarantee and the transactions contemplated hereby, including without limitation the execution, delivery and performance of this

Guarantee. The Guarantor agrees that American Airlines, Inc. ("American") shall not, in connection with this Guarantee and the transactions contemplated hereby, suffer or incur any loss, cost, expense or liability that American would not have suffered or incurred had such transactions not occurred, including without limitation any obligation to indemnify any other party to the Relevant Documents for any loss, cost or expense (including, without limitation, counsel fees) arising in connection with this Guarantee and the transactions contemplated hereby. The Guarantor further agrees to indemnify and hold harmless American from and against any loss, cost, action, suit, damage, expense or other liability arising out of or in connection with this Guarantee and the transactionc contemplated hereby.

6 Miscellaneous. None of the terms or provisions of this Guarantee may be waived, amended or supplemented or otherwise modified except by a written instrument executed by the Guarantor and the Beneficiaries. This Guarantee shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of the Beneficiaries and their respective successors and assigns. THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS. All notices, requests and demands to or upon the Guarantor or any Beneficiary to be effective shall be in writing or by telecopy and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or, in the case of mail, three days after deposit in the postal system, first class postage pre-paid, or, in the case of telecopy notice, when sent, addressed to (a) in the case of the Guarantor, 225 Franklin Street, Boston, MA 02110; Telecopy No. (617) 654-4266, and (b) in the case of any Beneficiary, the address provided for such party in or pursuant to the Relevant Documents or at such other address as such person may provide to the Guarantor in writing.

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be duly executed and delivered by its duly authorized officer as of the day and the year first above written.

STATE STREET BANK AND TRUST COMPANY

BY:  
Name:  
Title:

## SCHEDULE I

American Airlines, Inc.

AT&T Credit Holdings, Inc.

Wilmington Trust Company, as Owner Trustee

Each person that shall from time to time be a holder of an Equipment Note (as defined in the Amended and Restated Trust Indenture and Security Agreement listed on Schedule II to this Guarantee)

## SCHEDULE II

Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series \_\_\_\_), dated as of \_\_\_\_\_, 1995, between Wilmington Trust Company, as Owner Trustee (the "Owner Trustte") and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, as such Amended and Restated Trust Indenture and Security Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms thereof.

Trust Indenture and Security Agreement (AA 1992 AF-[ ]), dated as of \_\_\_\_\_, 1992 between the Owner Trustee and State Street Bank and Trust Company of Connecticut, National Association, as successor to NationsBank of Georgia, National Association, as Indenture Trustee.

[Included as Exhibit 4(e)(16)]

[Letterhead of Debevoise &amp; Plimpton]

\_\_\_\_\_, 1995

To Each of the Addressees Listed  
in Schedule A Attached Hereto

American Airlines, Inc.  
(AA 1995 PTC Series [ ])

Ladies and Gentlemen:

We have acted as counsel to American Airlines, Inc., a Delaware corporation (the "Lessee"), in connection with the transactions contemplated by the Refunding Agreement (AA 1995 PTC Series [ ]), dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among the Lessee, Wilmington Trust Company, as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant, [ORIGINAL LOAN PARTICIPANT], as Original Loan Participant, NationsBank of Georgia, National Association, as Indenture Trustee, and The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender. Capitalized terms used herein without definition are used as defined in the Refunding Agreement.

To Each of the Addressees  
Listed in Schedule A  
Attached Hereto

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In so acting, we have examined or participated in the preparation of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Amended and Restated Indenture, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment and the form of the Pass Through Certificates being issued today, and we have examined and relied upon the representations and warranties as to factual matters contained therein or made pursuant thereto and upon the originals, or copies certified or otherwise identified to our satisfaction, of such records, documents and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

Based on the foregoing, we are of the following opinion:

1. The Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its business as presently conducted and has, or had on the respective dates of execution thereof, the corporate power and authority to enter into its obligations under the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment and has the corporate power and authority to perform its obligations under the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment.

2. The execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease,

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the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, and the performance by the Lessee of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, have been duly authorized by all necessary corporate action on the part of the Lessee, and do not require any approval of stockholders of the Lessee or approval or consent of any trustee or holders of any indebtedness or obligations of the Lessee known to us, and neither the execution and delivery of any thereof by the Lessee nor the consummation by the Lessee of the transactions contemplated thereby nor compliance by the Lessee with any of the terms and provisions thereof contravene any law, governmental rule or regulation, judgment or order known to us to be applicable to or binding on the Lessee, or contravene or result in any breach of, or constitute any default under, or result in the creation of any Lien (other than as permitted by the Lease or the Indenture) upon any property of the Lessee under, the Certificate of Incorporation or By-Laws of the Lessee or any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement or other agreement or instrument known to us to which the Lessee is a party or by which the Lessee or its properties may be bound or affected.

3. Except as referred to in Section 9(c) of the Refunding Agreement and except for (i) action that may be required to register the issuance and sale of the Pass Through Certificates under the Securities Act of 1933, as amended (the "Securities Act"), which action has been duly accomplished upon the Lessee's Registration Statement on Form S-3 (Registration No. 33-42998), as amended by certain post-effective amendments thereto, having become effective under the Securities Act, pursuant to orders of the Securities and Exchange Commission, to the best of our knowledge no stop order suspending the effectiveness of the Registration Statement having been issued and no proceedings for that purpose having been instituted or threatened, (ii) qualification of the Pass Through Trust Agreement under the Trust Indenture Act of 1939, which

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qualification has been duly obtained pursuant to an order of the Securities and Exchange Commission, (iii) filings or other actions that may be required under the securities or Blue Sky laws of the various states, and iv) the filings referred to in paragraphs 5 and 6 below, neither the execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, nor the consummation by the Lessee of any of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, the Securities and Exchange Commission or any other Federal or New York State governmental authority.

4. Each of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment has been duly executed and delivered by the Lessee, and each of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment constitutes the legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms, except i) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and ii) in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not

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in our opinion make the remedies provided in the Lease inadequate for the practical realization of the rights and benefits provided thereby.

5. Except for (i) the registration of the Aircraft with the Federal Aviation Administration and (ii) the filing for recordation of (x) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, y) the Original Lease (with the Lease Supplement covering the Aircraft, the Original Indenture, and the Trust Agreement and Indenture Supplement covering the Aircraft attached), and (z) the Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation, in accordance with the Federal Aviation Act, (A) with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to Section 44107 of Title 49 of the United States Code, and assuming that at the time of each such filing no other unrecorded documents relating to the Aircraft have been filed pursuant to such Act but have not been shown on indices of filed but unrecorded documents made available to special Oklahoma City counsel, no further filing or recording of any document is necessary or advisable under the laws of the State of New York or the Federal laws of the United States of America in order to perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties in any applicable jurisdiction within the United States; and B) with respect to such portion, if any, of the Aircraft as may not be covered by such recording system, no further filing or recording of any document (including any financing statement) is necessary or advisable under Article 9 of the Uniform Commercial Code as in effect in any state in order to perfect the Owner Trustee's interest therein as against the Lessee and any third parties in any such state, except for the filing of a Uniform Commercial Code financing statement in the State of Texas, which filing has been duly effected, the filing of an assignment and amendment relating to such financing statement, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the Uniform Commercial Code of the State of Texas.

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6. The Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation are in due form for recording and, subject to i) the registration of the Aircraft with the Federal Aviation Administration, and ii) the due and timely filing for recordation of (w) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, (x) the Original Lease (with the Lease Supplement covering the Aircraft, the Original Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached), (y) the Original Indenture (with such Trust Agreement and Indenture Supplement and the Original Trust Agreement attached) and z) the Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation, in accordance with the Federal Aviation Act, and assuming that at the time of each such filing no other unrecorded documents relating to the Aircraft have been filed pursuant to such Act but have not been shown on indices of filed but unrecorded documents made available to special Oklahoma City counsel, the Indenture, as supplemented, creates a security interest in the Owner Trustee's interest in the Aircraft, and, except for such filing or recordation, no further filing or recording of any such instrument or any other instrument is necessary or advisable to establish and perfect such security interest and the assignment for security purposes of the Lease and the Lease Supplement covering the Aircraft to the Loan Trustee in any applicable jurisdiction within the United States of America, except for the filing of Uniform Commercial Code financing statements within the States of Delaware and Texas, which filings have been duly effected, the filing of assignments and amendments to Uniform Commercial Code financing statements previously filed in the States of Delaware and Texas, and the filing of continuation statements with respect to all such financing statements required to be filed at periodic intervals under the Uniform Commercial Code of the States of Delaware and Texas.

7. The Owner Trustee, as Lessor under the Lease, and the Loan Trustee, as assignee of the Owner Trustee's rights under the Lease pursuant to the Indenture, would be entitled to the benefits of Section 1110 of the Bankruptcy Code (11 U.S.C.A. Section 1110) with respect

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to the Aircraft initially delivered under the Lease and subjected to the Lease and the Indenture.

In rendering the foregoing opinions, we have relied upon the respective opinions, dated today and delivered to you, of (i) Crowe & Dunlevy, P.C., special Oklahoma City counsel, as to matters of Federal aviation law and (ii) Potter, Anderson & Corroon, special counsel for the Owner Trustee, as to matters of Delaware law, and we have made no investigation of law or fact as to the matters stated in such opinions. We have made the same assumptions as set forth in such opinions (except as to the due authorization, execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment), and our opinion is subject to the same limitations as are therein set forth. With respect to the judgments or orders referred to in paragraph 2 and insofar as the foregoing opinion relates to Federal aviation laws, the Department of Transportation or the Federal Aviation Administration and as to all matters of Texas law, we have relied upon the opinion, dated today and delivered to you, of Anne H. McNamara, Esq., Senior Vice President and General Counsel of the Lessee, and in our opinion you and we are justified in relying on such opinion. We have also assumed that the Refunding Agreement and the Participation Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended.

Our opinion is limited to the laws of the State of New York, the corporate law of the State of Delaware and the Federal laws of the United States of America, except that we express no opinion with respect to the securities laws of any state, including the State of New York.

This opinion is being furnished by us solely for your benefit in connection with the transactions contemplated by the Refunding Agreement. This opinion may not be relied upon or used for any other purpose.

Very truly yours,

## SCHEDULE A

American Airlines, Inc.,  
as Lessee

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit  
Corporation),  
as Owner Participant

Wilmington Trust Company,  
as Owner Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Loan Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch,  
as Initial Bank Lender

## SCHEDULE A

American Airlines, Inc.,  
as Lessee

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit  
Corporation),  
as Owner Participant

Wilmington Trust Company,  
as Owner Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Loan Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Pass Through Trustee

Mitsubishi Trust and Banking Corporation, New York Branch,  
as Initial Bank Lender

[Letterhead of American Airlines]

\_\_\_\_\_, 1995

To each of the Addressees Listed  
on Schedule A Attached Hereto

American Airlines, Inc.  
(AA 1995 PTC Series AB)

Ladies and Gentlemen:

I am Senior Vice President and General Counsel of American Airlines, Inc., a Delaware corporation (the "Lessee"), and as such I am delivering this opinion in connection with the transactions contemplated by the Refunding Agreement (AA 1995 PTC Series AB), dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among the Lessee, Wilmington Trust Company, as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant, ABN AMRO Bank N.V., Houston Agency, as Original Loan Participant, The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and NationsBank of Georgia, National Association, as Indenture Trustee. Capitalized terms used herein without definition are used as defined in the Refunding Agreement.

In so acting, I have examined the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Amended and Restated Indenture, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Instrument of Resignation, the Pass Through Trust Documents, the Purchase Agreement Assignment and the Pass Through Certificates and have examined and relied upon the representations and warranties as to factual matters contained therein or made pursuant thereto and upon the originals, or copies certified or otherwise identified to my satisfaction, of such records, documents and other instruments as in my judgment are necessary

or appropriate to enable me to render the opinion expressed below.

Based on the foregoing, I am of the following opinion:

1. The Lessee holds an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of the United States Code pursuant to which the Lessee is authorized to operate Boeing 767-323ER aircraft, the Lessee is a "citizen of the United States" as defined in Section 40102 of Title 49 of the United States Code, and the Lessee's chief executive office (as such term is defined in Article 9 of the Uniform Commercial Code in effect in the State of Texas) is located in Fort Worth, Texas.

2. The execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Lease Amendment, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, and the performance by the Lessee of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment have been duly authorized by all necessary corporate action on the part of the Lessee, and do not require any approval of stockholders of the Lessee or approval or consent of, any trustees or holders of any indebtedness or obligations of the Lessee known to me; and neither the execution and delivery of any thereof by the Lessee nor the consummation or performance by the Lessee of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment nor the compliance by the Lessee with any of the terms and provisions thereof will contravene any law, governmental rule, regulation, judgment or order known to me to be applicable to, or binding on, the Lessee or for the Certificate of Incorporation or By Laws of the Lessee

contravene or result in any breach of, or constitute any default under, or result in the creation of any Lien (other than as permitted under the Lease or the Indenture) upon any property of the Lessee under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan, credit agreement, contract or other agreement known to me to which the Lessee is a party or by which any of its properties may be bound or affected.

3. Except as referred to in Section 9(c) of the Refunding Agreement and the filings referred to in paragraphs 3, 5 and 6 of the opinion, dated today and delivered to you, of Debevoise & Plimpton, neither the execution and delivery by the Lessee of the Refunding Agreement, the Lease Amendment, the Amended and Restated Rent Schedule, the Tax Indemnity Agreement Amendment, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, nor the consummation by the Lessee of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration or any governmental authority of the State of Texas.

4. No filing or recording of any document in the State of Texas is necessary or advisable in order to perfect the Owner Trustee's title to and interest in the Aircraft as against the Lessee and any third party in the State of Texas, except for the filing of a Uniform Commercial Code financing statement in the State of Texas which filing has been duly effected, and the filing of an assignment and amendment relating thereto in the State of Texas, which assignment and amendment [have] been positioned for filing promptly upon closing, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the Uniform Commercial Code of the State of Texas. No filing or recording of any document in the State of Texas is necessary or advisable to

establish and perfect the security interest in the Aircraft that the Indenture, as supplemented, by its terms purports to create and the assignment for security purposes of the Lease to the Loan Trustee in accordance with the terms of the Indenture, except for the filing of the financing statement and assignment and amendment relating thereto referred to in the first sentence of this paragraph, and continuation statements relating thereto.

5. There are no pending or, to the best of my knowledge, threatened actions or proceedings before any court or administrative agency or arbitrator that would materially adversely affect the ability of the Lessee to perform its obligations under the Refunding Agreement, the Participation Agreement, the Lease, the Amended and Restated Rent Schedule, the Tax Indemnity Agreement, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment.

In rendering the foregoing opinion, I have relied upon the opinion, dated today and delivered to you, of Crowe & Dunlevy, P.C., special Oklahoma City counsel. In so relying, I have made the same assumptions, and my opinion is subject to the same limitations, as are therein set forth. I have also assumed that the Refunding Agreement, the Participation Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended.

I am delivering this opinion to you pursuant to the Refunding Agreement, and no persons other than you and Debevoise & Plimpton are entitled to rely on this opinion.

With your permission, my opinion is limited to the laws of the State of Texas and the Federal laws of the United States of America, except that I express no opinion with respect to the securities laws of any jurisdiction or any other laws.

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To Each of the Addressees  
Listed on Schedule A  
Attached Hereto

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\_\_\_\_\_, 1995

Very truly yours,

Anne H. McNamara  
Senior Vice President  
and General Counsel

AT&T Credit Holdings, Inc. (formerly AT&T Credit Corporation),  
as Owner Participant

Wilmington Trust Company,  
as Owner Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Loan Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch,  
as Initial Bank Lender

DRAFT

\_\_\_\_\_, 1995

To Each of the Persons  
Listed on Schedule A  
Attached Hereto

Re: American Airlines, Inc.  
(AA \_\_\_ PTC Series \_\_\_)

Ladies and Gentlemen:

We have acted as counsel to Wilmington Trust Company, a Delaware banking corporation (the "Trust Company"), in connection with the Trust Agreement (AA 1992 AF- \_\_\_), dated as of \_\_\_\_\_, 1992 (the "Original Trust Agreement"), by and between the Trust Company and AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant"), as amended by the First Amendment to Trust Agreement (AA 1992 AF-\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_), dated as of the date hereof by and between the Trust Company and the Owner Participant (the "Trust Agreement Amendment"; the Original Trust Agreement as amended by the Trust Agreement Amendment being herein called the "Trust Agreement"). Pursuant to the Refunding Agreement (AA 1995 PTC Series \_\_\_), dated as of the date hereof (the "Refunding Agreement"), by and among American Airlines, Inc., as Lessee (the "Lessee"), NationsBank of Georgia, National Association (formerly known as C&S/Sovran Trust Company (Georgia), National Association), as Indenture Trustee (the "Indenture Trustee"), Swiss Bank Corporation, New York Branch and Westland/Utrecht Hypotheekbank, N.V., as Original Loan Participants (the "Original Loan Participant"), the Owner Participant, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee (the "Pass Through Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Trust Company, not in its

individual capacity except as specifically set forth therein, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement, long-term financing is being provided in connection with one Boeing 767-323 aircraft bearing U.S. Registration No. \_\_\_\_ (the "Aircraft"). This opinion is furnished upon the request of the Owner Trustee pursuant to Sections 3(1) and 4(a) of the Refunding Agreement. Capitalized terms used herein and not otherwise defined are used as defined in or by reference in the Refunding Agreement, except that reference herein to any instrument shall mean such instrument as in effect on the date hereof after giving effect to the transactions contemplated by the Refunding Agreement.

We have examined executed counterparts or copies otherwise identified to our satisfaction of the following documents:

- (a) The Original Trust Agreement;
- (b) The Trust Agreement Amendment;
- (c) The Original Participation Agreement and the amendments thereto effective on the date hereof (the "Participation Agreement");
- (d) The Refunding Agreement;
- (e) The Original Lease;
- (f) The Lease Amendment;
- (g) The Lease Supplement No. 1 dated the Delivery Date covering the Aircraft (the "Lease Supplement");
- (h) The Indenture;
- (i) The Trust Agreement and Indenture Supplement No. 1 dated the Delivery Date covering the Aircraft (the "Trust Supplement");
- (j) The Purchase Agreement Assignment;
- (k) The Instrument of Resignation;
- (l) The Amended and Restated Rent Schedule; and

- (m) The Equipment Notes being issued on the date hereof (the "Equipment Notes").

The documents identified in paragraphs (a) through (l) above are collectively referred to herein as the "Operative Documents."

We have also examined originals or copies of such other documents, such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of the corporations or entities referred to herein and such other instruments as we have deemed necessary or appropriate for the purposes of this opinion. Moreover, as to certain facts material to the opinions expressed herein, we have relied upon the representations and warranties contained in the instruments referred to above.

Based upon the foregoing and upon an examination of such questions of law as we have considered necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. The Trust Company is a Delaware banking corporation, duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate, banking and trust powers to enter into and perform its obligations under the Trust Agreement, and the Owner Trustee has the authority under the Trust Agreement to execute, deliver and perform its obligations under the Operative Documents and to issue, execute, deliver and perform its obligations under the Equipment Notes.

2. The Trust Company is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code.

3. Each Operative Document has been duly authorized, executed and delivered by the Trust Company or by the Owner Trustee, as the case may be, and constitutes the legal, valid and binding obligation of the Trust Company or the Owner Trustee, as the case may be, enforceable against the Trust Company or the Owner Trustee, as the case may be, in accordance with its respective terms. The Trust Agreement constitutes a legal, valid and binding obligation of the Owner Participant enforceable against the Owner Participant in

accordance with its terms. The Equipment Notes have been duly authorized, issued, executed and delivered by the Owner Trustee, pursuant to authorization contained in the Trust Agreement, and constitute the legal, valid and binding obligations of the Owner Trustee enforceable against the Owner Trustee in accordance with their terms and the terms of the Indenture; and the Equipment Notes are entitled to the benefits and security afforded by the Indenture in accordance with its terms and the terms of the Indenture.

4. Neither the execution and delivery by the Trust Company or the Owner Trustee, as the case may be, of the Operative Documents, nor the issuance, execution and delivery by the Owner Trustee of the Equipment Notes, nor the fulfillment of or compliance by the Trust Company or the Owner Trustee, as the case may be, with the respective provisions thereof, conflicts with, or results in a breach of the terms, conditions or provisions of, or constitutes a default under, or results in a violation of, the charter or by-laws of the Trust Company, any law of the State of Delaware or any federal law of the United States of America governing the banking or trust powers of the Trust Company or, to the best of our knowledge, any agreement, indenture, instrument, order, judgment or decree to which the Trust Company, the Owner Trustee or any of their respective properties is subject.

5. No consent, approval or other action by or any notice to or filing with any court or administrative or governmental body is required under the laws of the State of Delaware or the federal laws of the United States of America governing the banking or trust powers of the Trust Company in connection with the authorization, execution and delivery by the Trust Company or the Owner Trustee of the Operative Documents, the authorization, issuance, execution and delivery by the Owner Trustee of the Equipment Notes, or the fulfillment of or compliance by the Trust Company or the Owner Trustee with the respective terms and provisions thereof.

6. The Trust Agreement creates for the benefit of the Owner Participant the rights and interests in the Trust Estate which the Trust Agreement by its terms purports to create, and such interest is subject and subordinate to the security interests created by the Indenture to the extent provided in the Indenture.

7. There are no taxes, fees or other charges ("Taxes") payable to the State of Delaware or to any political subdivision thereof in connection with the execution and delivery of the Operative Documents or the Pass Through Trust Documents. None of the transactions contemplated by the Operative Documents or the Pass Through Trust Documents nor any of the Owner Participant, the Lessee, the Owner Trustee (individually or as Owner Trustee), the Trust Estate, the trust created by the Trust Agreement, any holder of an Equipment Note, any original Loan Participants, the Loan Trustee (in its individual capacity or as trustee), the Indenture Estate (such term being used in this opinion letter as defined in the Indenture), the Indenture Trustee (in its individual capacity or as Indenture Trustee), the trust created by the Indenture, any Pass Through Trustee (in its individual capacity or as trustee), any trust created by any Pass Through Trust Document or any holder of a Pass Through Certificate (or their Affiliates, successors, officers, directors, agents, servants or assigns) will be subject to any Tax under the laws of the State of Delaware or any political subdivision thereof (other than Taxes imposed on the fees received by the Owner Trustee for acting as trustee under the Trust Agreement) which would not have been imposed if the trust created by the Trust Agreement had not been created pursuant to the laws of the State of Delaware and the Trust Company had not (a) been incorporated under the laws of, (b) had its principal place of business in, (c) performed (individually or as Owner Trustee) its duties under the Operative Documents in, and (d) engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Delaware. There are no Taxes under the laws of the State of Delaware or any political subdivision thereof upon or with respect to (i) the construction, mortgaging, financing, refinancing, purchase, acquisition, acceptance, rejection, delivery, nondelivery, transport, location, ownership, control, insurance, registration, reregistration, deregistration, assembly, possession, repossession, operation, use, condition, maintenance, repair, sale, return, abandonment, replacement, preparation, installation, storage, redelivery, manufacture, leasing, subleasing, modification, rebuilding, importation, transfer of title, transfer of registration, exportation or other application or disposition of the Aircraft, any Engine or any Part or any interest in any thereof, (ii) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest therein or payable pursuant to the Lease, (iii)

any amount paid or payable pursuant to any Operative Document or any Pass Through Trust Document, (iv) the Aircraft, any Engine or any Part or any interest therein or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest therein, (v) any or all of the Operative Documents, the Pass Through Trust Documents, the Equipment Notes or any interest in any or all thereof, or the offering, assumption, registration, reregistration, issuance, acquisition, modification, reissuance, refunding or refinancing of any or all thereof, and any other documents contemplated hereby or thereby and amendments and supplements hereto and thereto, (vi) any change in the Owner Trustee or the situs of the Trust Estate made pursuant to Section 9(d) of the Participation Agreement, (vii) the property, or the income or other proceeds received with respect to the property, held by the Loan Trustee under the Indenture, (viii) the payment of the principal of or interest or premium on, or other amounts payable with respect to, any or all of the Loan Certificates, the Equipment Notes or the Pass Through Certificates, whether as originally issued or pursuant to any refinancing, refunding, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all of the Equipment Notes or the Pass Through Certificates, or (ix) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if the trust created by the Trust Agreement had not been created pursuant to the laws of the State of Delaware and the Trust Company had not (w) been incorporated under the laws of, (x) had its principal place of business in, (y) performed (individually or as Owner Trustee) its duties under the Operative Documents in, and (z) engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Delaware.

8. The Owner Trustee has received from the Lessee such title to the Aircraft as was conveyed to it by the Lessee, subject to the rights of the Owner Trustee and the Lessee under the Lease and the security interest created pursuant to the Indenture and the Trust Supplement; and, to our knowledge, there exist no Liens affecting the interest of the Owner Trustee in the Aircraft resulting from acts of the Owner Trustee, except Liens permitted by the Participation Agreement, the Trust Agreement, the Indenture, the Trust Supplement, the

Lease, and the Lease Supplement or created by the Trust Agreement, the Indenture or the Trust Supplement.

9. All the properties which are part of the Indenture Estate (including all right, title and interest of the Owner Trustee pledged and mortgaged by it pursuant to the Indenture) have been pledged and mortgaged with the Loan Trustee as part of the Indenture Estate, and the beneficial interest of the Owner Participant under the Trust Agreement in and to such properties is subject, to the extent provided in the Indenture, to the lien of the Indenture in favor of the holders from time to time of the Equipment Notes.

10. To the extent that the Uniform Commercial Code of the State of Delaware (the "UCC") is applicable, except for the Loan Trustee's taking of possession of all monies, instruments and securities constituting part of the Indenture Estate, no action, including the filing or recording of any document, is necessary (i) to create in the State of Delaware the security interest in the Indenture Estate (including the grant and assignment unto the Loan Trustee of the security interest in all estate, right, title and interest of the Owner Trustee in, to and under the Lease, the Lease Supplement, the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment) and the Purchase Agreement Assignment) which the Indenture by its terms purports to create in favor of the Loan Trustee, and (ii) to perfect in the State of Delaware such security interest, except for the filing of a UCC financing statement in the State of Delaware, which filing has been duly effected, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the UCC.

11. To the best of our knowledge, there are no proceedings pending or threatened against or affecting the Trust Company or the Owner Trustee in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the right, power and authority of the Trust Company or the Owner Trustee to enter into or perform its obligations under the instruments referred to in paragraph 1 above.

The foregoing opinions are subject to the following assumptions, exceptions and qualifications:

A. The foregoing opinions are limited to the laws of the State of Delaware and the federal laws of the United States of America governing the banking and trust powers of the Trust Company. In addition, we express no opinion with respect to (i) federal securities laws, including the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, (ii) the Federal Aviation Act of 1958, as amended (except with respect to the opinion set forth in paragraph 2 above concerning the citizenship of the Trust Company), (iii) the Federal Communications Act of 1934, as amended, or (iv) state securities or blue sky laws. Insofar as the foregoing opinions relate to the validity and enforceability in Delaware of the Equipment Notes and the Operative Documents expressed to be governed by laws other than the laws of the State of Delaware, we have assumed that the Equipment Notes and such Operative Documents constitute legal, valid, binding and enforceable documents or instruments under such laws (as to which we express no opinion).

B. The foregoing opinions regarding the enforceability of any document or instrument are subject to (i) applicable bankruptcy, insolvency, moratorium, reorganization, receivership, fraudulent conveyance and similar laws affecting the rights and remedies of creditors generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

C. We have assumed the due authorization, execution and delivery by each of the parties thereto, other than the Trust Company and the Owner Trustee, of the Operative Documents to which each is a party and that each of such parties has the full power, authority and legal right to execute and deliver each such document.

D. The opinion set forth in paragraph 2 above concerning the citizenship of the Trust Company is based upon an affidavit of the Trust Company, made by its Vice President, the facts set forth in which we have not independently verified.

E. We have assumed that all signatures (other than those of the Trust Company and the Owner Trustee) on documents and instruments submitted to us as originals are authentic, and that all documents and instruments submitted to

us as copies conform with the originals, which facts we have not independently verified.

F. We do not purport to be experts in respect of, or express any opinion concerning, aviation law or other laws, rules or regulations applicable to the particular nature of the equipment owned by the Owner Trustee.

G. We have assumed that the Participation Agreement, the Refunding Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974.

H. We have assumed the due authentication of the Equipment Notes by the Loan Trustee.

I. No opinion is expressed as to the nature of the title to any part of the Trust Estate or the priority of any mortgage or security interest.

J. This opinion is rendered solely for your benefit and may not be furnished or quoted to or relied upon by any other person or entity for any purpose without our prior written consent, except that the law firms of Debevoise & Plimpton and Shearman & Sterling may rely on this opinion in connection with the rendering of their opinions dated the date hereof in connection with the financing described herein.

Very truly yours,

## OWNER TRUSTEE

Wilmington Trust Company

## LESSEE

American Airlines, Inc.

## OWNER PARTICIPANT

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit Corporation)

## LOAN TRUSTEE

State Street Bank and Trust Company of Connecticut,  
National Association

## PASS THROUGH TRUSTEE

State Street Bank and Trust Company of Connecticut,  
National Association

## UNDERWRITERS

J.P. Morgan Securities Inc.  
Morgan Stanley & Co. Incorporated  
Salomon Brothers Inc

Initial Bank Lender

The Mitsubishi Trust and Banking Corporation,  
New York Branch

June \_\_, 1995

TO THE PARTIES SET FORTH  
IN SCHEDULE A HERETO

RE: AMERICAN AIRLINES, INC.  
REFUNDING AGREEMENT (AA 1995 PTC SERIES AB)

Ladies and Gentlemen:

We are acting as special counsel to State Street Bank and Trust Company of Connecticut, National Association, individually ("SSB"), and as Loan Trustee (the "LOAN TRUSTEE") under the Trust Indenture and Security Agreement (AA 1995 AF-2), dated as of July 1, 1992 between Wilmington Trust Company, as Owner Trustee (the "OWNER TRUSTEE") and the Loan Trustee, as successor to Nationsbank of Georgia, National Association, and State Street Bank and Trust Company (the "PARENT GUARANTOR") in connection with the transactions contemplated by (i) that certain Refunding Agreement (AA 1995 PTC Series AB) dated as of June 1, 1995 (the "REFUNDING AGREEMENT"), among SSB, as Loan Trustee; American Airlines, Inc., as Lessee; AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant; the Owner Trustee; SSB, as Pass Through Trustee; ABN AMRO BANK N.V., Houston Agency, as Original Loan Participant; The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender; and NationsBank of Georgia, National Association, as Indenture Trustee, and (ii) the Guarantee (AA 1995 PTC Series AB) dated as of June 1, 1995 (the "GUARANTEE") from the Parent Guarantor to the Beneficiaries named therein. This opinion is delivered to you pursuant to Section 3(m) and Section 4(a) of the Refunding Agreement. Except as otherwise defined herein, terms used herein shall have the meanings set forth in the Refunding Agreement.

Our representation of SSB, the Loan Trustee and the Parent Guarantor has been as special counsel for the purposes stated above. As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the parties set forth in the Operative Documents and (ii) certificates delivered to us by the management of SSB

and the Parent Guarantor, and have assumed, without independent inquiry, the accuracy of those representations and certificates.

We have examined the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Participation Agreement, and the Guarantee, Certificates of the Comptroller of the Currency and the Massachusetts Commissioner of Banks relating to SSB and the Parent Guarantor, respectively, and originals, or copies certified or otherwise identified to our satisfaction, of such other records, documents, certificates, or other instruments as we have deemed necessary or advisable for the purposes of this opinion.

We have assumed the genuineness of all signatures (other than those on behalf of SSB, the Loan Trustee and the Parent Guarantor), the conformity to the originals of all documents reviewed by us as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document (other than on behalf SSB, the Loan Trustee and the Parent Guarantor).

When an opinion set forth below is given to the best of our knowledge, or to our knowledge, or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual knowledge or awareness of the individual lawyer in the firm that signed this opinion, the individual lawyers in the firm who have participated directly in the specific transactions to which this opinion relates or in the preparation of this opinion and the partner of the firm responsible for SSB corporate trust matters, and without any special or additional investigation undertaken for the purposes of this opinion.

Each opinion set forth below relating to the enforceability of any agreement or instrument against SSB, the Loan Trustee, or the Parent Guarantor, as applicable, is subject to the following general qualifications:

(i) as to any agreement to which SSB, or the Loan Trustee, as applicable, is a party, we assume that such agreement is the legal, valid and binding obligation of each other party thereto (other than SSB and the Loan Trustee, as the case may be);

(ii) the enforceability of any obligation of SSB, the Loan Trustee, and the Parent Guarantor may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, marshaling and other similar laws and rules of law affecting the enforcement generally of creditors'

rights and remedies (including such as may deny giving effect to waivers of debtors' or guarantors' rights); and

(iii) the enforcement of any rights and availability of any specific or equitable relief may in all cases be subject to an implied duty of good faith and to general principles of equity (regardless of whether such enforceability or such relief is considered in a proceeding at law or in equity).

Subject to the limitation set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. The opinions expressed in paragraphs 1 through 9 below are limited solely to the internal substantive laws of the State of Connecticut and the federal laws of the United States of America, and the opinions expressed in paragraphs 10, 12, 13, 14 and 15 below are limited solely to the internal substantive laws of The Commonwealth of Massachusetts and the federal laws of the United States of America. The opinion expressed in paragraph 11 below is limited solely to the internal substantive laws of the State of Connecticut and the internal substantive laws of The Commonwealth of Massachusetts. No opinion is expressed herein as to the application or effect of federal securities laws or as to the securities or so-called "Blue Sky" laws of any state or other jurisdiction. In addition, other than our opinion expressed in paragraph 1 below with respect to the citizenship of SSB, no opinion is expressed as to matters governed by Title 49 of the United States Code, or by any other law, statute, rule or regulation of the United States relating to the acquisition, ownership, registration, use, operation, maintenance, repair, replacement or sale of or the nature of the Aircraft, Airframe or Engines.

With your permission, with respect to paragraphs 1 through 5 below in connection with our opinion relating to the legality, validity and binding effect of the documents there referred to, to the extent that the laws of the State of Connecticut do not govern such documents, we have assumed that the laws of the jurisdictions whose laws govern such documents are not materially different from the internal substantive laws of the State of Connecticut.

This opinion is rendered solely for the benefit of those institutions listed on Schedule A hereto and their successors and assigns in connection with the transactions contemplated by the Refunding Agreement and may not be used or relied upon by any other person or for any other purpose.

Based on and subject to the foregoing, we are of the opinion that:

1. SSB is a national banking association duly organized and validly existing in good standing with the Comptroller of the Currency under the laws of the United States of America, is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, and has the corporate power and authority to execute and deliver, individually or as Loan Trustee, as the case may be, the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and to authenticate the Equipment Notes, and to carry out, individually or as Loan Trustee, as the case may be, the terms of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation;

2. each of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation have been duly authorized, executed and delivered by SSB, individually or as Loan Trustee, as the case may be, and, assuming the due authorization, execution and delivery by the other parties thereto and that value has been given, each of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation constitutes the legal, valid and binding obligation of SSB, individually or as Loan Trustee, as the case may be, enforceable against it in such capacities in accordance with its terms;

3. the Equipment Notes issued on the date hereof have been duly and validly authenticated by SSB, as Loan Trustee, pursuant to the terms and provisions of, and in accordance with the requirements of, the Indenture;

4. the execution and delivery by SSB, individually or as Loan Trustee, as the case may be, of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and the performance of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and the authentication by the Loan Trustee of the Equipment Notes issued today, have been duly authorized by all necessary corporate action on the part of SSB, individually or as Loan Trustee, as the case may be, and do not and did not require any approval of the stockholders of SSB, and such execution, delivery and performance were not and are not in violation of SSB's Articles of Association or By-laws, or of any indenture, mortgage, credit agreement, license or other

agreement or instrument, in each case known to us, to which SSB, individually or as Loan Trustee, as the case may be, is a party or by which it in either capacity is bound, or of any judgment or order known to us or of any federal law, rule or regulation relating to its banking or trust powers or any Connecticut law, rule or regulation applicable to SSB in either capacity;

5. neither the execution, delivery or performance by SSB, individually or as Loan Trustee, as the case may be, of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, nor the performance of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation nor the authentication by the Loan Trustee of the Equipment Notes issued today nor the consummation of any of the transactions by SSB, individually or as Loan Trustee, as the case may be, contemplated thereby required or requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to any governmental authority or agency under any existing federal or Connecticut law governing the banking, fiduciary or trust powers of SSB;

6. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the State of Connecticut or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Loan Trustee, as the case may be, or by the Lessee, of the Operative Documents or the Instrument of Resignation to which SSB in either capacity or the Lessee is a party or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Equipment Notes pursuant to the Indenture. Neither SSB, in its individual capacity or as Loan Trustee, as the case may be, the Owner Participant, the Owner Trustee (in its individual capacity or as Owner Trustee), the trust created by the Trust Agreement, the Trust Estate, the Indenture Trustee (in its individual capacity, or as Indenture Trustee), the Original Loan Participant, the Indenture Estate, any holder of any Equipment Note, the Lessee, the Pass Through Trustee, any trust created by any Pass Through Trust Document, any holder of any Pass Through Certificate, any person acquiring an interest in any Pass Through Certificate, the trust created by the Indenture, nor any entity created by the Indenture (nor their officers, directors, agents, servants, affiliates, successors or assigns) will be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof (other than Taxes imposed on

the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee) that would not have been imposed if SSB had not had its principal place of business in, had not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the State of Connecticut. There are no applicable Taxes under the laws of the State of Connecticut or any political subdivision thereof upon or with respect to (a) the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof; (b) the purchase, acceptance, rejection, delivery, nondelivery, transport, location, insurance, registration, assembly, maintenance, abandonment, storage, modification, transfer of title, acquisition, ownership, delivery, lease, sublease, financing, refinancing, mortgaging, presence, condition, replacement, substitution, pooling, assignment, alteration, exportation, repossession, control, deregistration, possession, use, operation, construction, manufacture, repair, sale, return, transfer or other application or disposition of the Aircraft, the Airframe, any Engine or any Part or any interest therein; (c) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease; (d) any amount paid or payable pursuant to any Operative Document, the Instrument of Resignation or any Pass Through Trust Document (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or Pass Through Trustee); (e) any or all of the Operative Documents, the Instrument of Resignation, any or all of the Pass Through Trust Documents, the Underwriting Agreement, any or all of the Equipment Notes or the Pass Through Certificates or any interest therein or the offering, registration, reregistration, issuance, acquisition, modification, recording, filing, assumption, reissuance, redemption, refinancing or refunding thereof, or any other documents contemplated thereby and amendments, waivers, consents and supplements thereto; (f) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Equipment Notes, whether as originally issued or pursuant to any refinancing, refunding, redemption, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all the Equipment Notes; (g) any change in the Owner Trustee made pursuant to Article IX of the Trust Agreement or the situs of the Trust Estate made pursuant to Section 9 of the Participation Agreement; (h) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by SSB, as Loan Trustee, under the

Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents, the Instrument of Resignation or the Pass Through Trust Documents, which would not have been imposed if SSB had not had its principal place of business in, and not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the State of Connecticut;

7. to the best of our knowledge there are no proceedings pending or threatened against or affecting SSB, either in its individual capacity or as Loan Trustee, as the case may be, in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the Indenture Estate or would question the right, power and authority of SSB in either capacity to enter into or perform its obligations under the instruments referred to in paragraph 1 above;

8. insofar as the laws of the State of Connecticut pertains thereto, the Indenture creates for the benefit of the holders of the Equipment Notes the rights and interests in the Indenture Estate which the Indenture by its terms purports to create;

9. to the best of our knowledge, there exist no liens affecting the title of the Owner Trustee to the Trust Estate or any part thereof resulting from the acts of the Loan Trustee and not related to the interest of the Loan Trustee in the Trust Estate except liens permitted by the Operative Documents;

10. the Parent Guarantor is a Massachusetts trust company, duly organized, validly existing and in good standing with the Commissioner of Banks of the Commonwealth of Massachusetts under the laws of the Commonwealth of Massachusetts;

11. all of the shares of the outstanding capital stock of SSB are owned of record by the Parent Guarantor;

12. the Parent Guarantor has full corporate power and authority and legal right to enter into and perform its obligations under the Guarantee, and the Guarantee has been duly authorized, executed and delivered by duly authorized officers of the Parent Guarantor and is the legal, valid and

binding obligation of the Parent Guarantor enforceable against the Parent Guarantor in accordance with its terms;

13. the execution and delivery of the Guarantee and compliance by the Parent Guarantor with all of the provisions thereof do not and will not (i) contravene any law or, (ii) contravene any order known to us of any court or governmental authority or agency applicable to or binding on the Parent Guarantor or (iii) contravene the provisions of its charter documents or by-laws or the provisions of any indenture, mortgage, contract or other agreement, in each case known to us, to which it is a party or by which it or its properties may be bound or affected;

14. neither the execution nor the delivery of the Guarantee by the Parent Guarantor nor the performance by the Parent Guarantor of the Guarantee requires the consent, approval or authorization of, the giving of notice to, the recording or filing, registration or qualification with, or the taking of any other action in respect of any Massachusetts governmental authority on the part of the Parent Guarantor;

15. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the Commonwealth of Massachusetts or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Loan Trustee, as the case may be, or by the Lessee, of the Operative Documents or the Instrument of Resignation to which SSB in either capacity or the Lessee is a party or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Equipment Notes pursuant to the Indenture. Neither SSB, in its individual capacity or as Loan Trustee, as the case may be, the Owner Participant, the Owner Trustee (in its individual capacity or as Owner Trustee), the trusts created by the Trust Agreement, the Trust Estate, the Indenture Trustee (in its individual capacity, or as Indenture Trustee), the Original Loan Participants, the Indenture Estate, any holder of any Equipment Note, the Lessee, the Pass Through Trustee, any trust created by any Pass Through Trust Document, any holder of any Pass Through Certificate, any person acquiring an interest in any Pass Through Certificate, the trust created by the Indenture, nor any entity created by the Indenture (nor their officers, directors, agents, servants, affiliates, successors or assigns) will be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee) that would not have been imposed if SSB had not performed, either

in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the Commonwealth of Massachusetts. There are no applicable Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof upon or with respect to (a) the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof; (b) the purchase, acceptance, rejection, delivery, nondelivery, transport, location, insurance, registration, assembly, maintenance, abandonment, storage, modification, transfer of title, acquisition, ownership, delivery, lease, sublease, financing, refinancing, mortgaging, presence, condition, replacement, substitution, pooling, assignment, alteration, exportation, repossession, control, deregistration, possession, use, operation, construction, manufacture, repair, sale, return, transfer or other application or disposition of the Aircraft, the Airframe, any Engine or any Part or any interest therein; (c) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease; (d) any amount paid or payable pursuant to any Operative Document, the Instrument of Resignation or any Pass Through Trust Document (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or Pass Through Trustee); (e) any or all of the Operative Documents, the Instrument of Resignation, any or all of the Pass Through Trust Documents, the Underwriting Agreement, any or all of the Equipment Notes or the Pass Through Certificates or any interest therein or the offering, registration, reregistration, issuance, acquisition, modification, recording, filing, assumption, reissuance, redemption, refinancing or refunding thereof, or any other documents contemplated thereby and amendments, waivers, consents and supplements thereto; (f) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Equipment Notes, whether as originally issued or pursuant to any refinancing, refunding, redemption, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all the Equipment Notes; (g) any change in the Owner Trustee made pursuant to Article IX of the Trust Agreement or the situs of the Trust Estate made pursuant to Section 9 of the Participation Agreement; (h) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by SSB, as Loan Trustee, under the Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents, the Instrument of

Resignation or the Pass Through Trust Documents, which would not have been imposed if SSB had not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the Commonwealth of Massachusetts.

This opinion is rendered to you at the request of SSB, as Loan Trustee, and the Parent Guarantor, pursuant to the Refunding Agreement and SSB, as Loan Trustee and the Parent Guarantor have consented to the opinions expressed herein. We have discussed with SSB, as Loan Trustee, and the Parent Guarantor the consequences of their request for and consent to the rendering of the opinions expressed herein. This opinion is solely for your benefit in connection with the above transactions and to that extent we agree and understand that you may rely upon the opinions expressed herein.

Very truly yours,

BINGHAM, DANA & GOULD

## SCHEDULE A

American Airlines, Inc., as Lessee

State Street Bank and Trust Company of Connecticut, National Association,  
as Pass Through Trustee

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation),  
as Owner Participant

Wilmington Trust Company, as Owner Trustee

The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial  
Bank Lender

ABN AMRO BANK N.V., Houston Agency, as Original Loan Participant

DRAFT 6/1/95

[Letterhead of Sidley &amp; Austin]

\_\_\_\_\_, 1995

To Each of the Addressees  
Listed on Schedule A Attached Hereto

Re: American Airlines, Inc.  
(AB 1995 PTC Series)

Ladies and Gentlemen:

We have acted as special counsel to AT&T Credit Holdings, Inc., a Delaware corporation (the "Owner Participant"), in connection with the transactions contemplated by the Refunding Agreement dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among American Airlines, Inc., as Lessee, Wilmington Trust Company, as Owner Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, NationsBank of Georgia, National Association, as Indenture Trustee, ABN AMRO Bank N.V., Houston Agency, as Original Loan Participant, State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Owner Participant. This opinion is given pursuant to Sections 3(n) and 4(a) of the Refunding Agreement. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in the Refunding Agreement.

In that connection, we have examined executed counterparts of the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Tax Indemnity Agreement and the Tax Indemnity Agreement Amendment (collectively, the "Agreements"). We have further examined and relied upon the accuracy of original, certified, conformed, photographic or telecopied copies of such records, agreements, certificates and other documents as we have deemed necessary or appropriate to enable us to render the opinions expressed herein. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to such original documents of all copies submitted to us as certified, conformed, photographic or telecopied copies, and, as to certificates and telegraphic and telephonic

confirmations given by public officials, we have assumed the same to have been properly given and to be accurate.

In rendering the opinions set forth below, we have assumed the due authorization, execution and delivery of the Agreements by each party other than the Owner Participant.

Based upon the foregoing, we are of the opinion that:

1. The Participation Agreement, the Trust Agreement, the Refunding Agreement, the Amended and Restated Rent Schedule and the Tax Indemnity Agreement constitute valid and binding obligations of the Owner Participant, enforceable against the Owner Participant in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

2. Neither the execution and delivery of the Participation Agreement, the Trust Agreement, the Refunding Agreement, the Amended and Restated Rent Schedule or the Tax Indemnity Agreement by the Owner Participant nor the consummation by the Owner Participant of any of the transactions therein contemplated, or the fulfillment of, or compliance with, the terms and provisions of any thereof, (A) requires the consent or approval of, the giving of notice to, the registration with, or taking of any other action with respect to, any governmental authority or agency of the State of New York or the federal government of the United States of America or (B) contravenes any law, governmental rule or regulation of the State of New York or the federal government of the United States of America.

In rendering the foregoing opinions, we have, with your consent, relied upon the opinion of even date herewith of Louis B. Fontana, Esq., [Assistant Secretary] of the Owner Participant, as to the matters set forth therein.

The foregoing opinions are subject, however, to the qualification that we express no opinion as to (i) matters relating to the title to or sufficiency or description of any property or collateral described in the Participation Agreement or the Trust Agreement or the perfection or relative priority of any lien or security interest created with respect to such property or collateral thereunder or (ii) the enforceability of any indemnification provisions of the Agreements insofar as they

To Each of the Addresses  
Listed on Schedule A Attached Hereto  
\_\_\_\_\_, 1995

Page 3

might require indemnification of an indemnified party as to any loss, cost or expense arising out of any violation by any party of statutory duties, general principles of equity or public policy. In addition, we express no opinion as to matters governed by (i) any tax laws, (ii) the Federal Aviation Act of 1958, as amended, or any other laws, statutes, rules or regulations of the United States of America relating to the acquisition, ownership, registration, leasing, use or sale of the Aircraft, the Airframe or the Engines, (iii) any securities laws or (iv) the Employee Retirement Income Security Act of 1974.

We are licensed to practice law in the State of New York, and we express no opinions herein as to the laws of any state or jurisdiction other than the laws of the State of New York, the federal laws of the United States of America and the General Corporation Law of the State of Delaware.

This opinion is furnished by us at your request, and we agree that you may rely on the opinions expressed herein. No other person or entity shall be entitled to rely on the opinions expressed herein without our express written consent.

Very truly yours,

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant

American Airlines, Inc., as Lessee

Wilmington Trust Company, as Owner Trustee

State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee and Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch, as Initial Bank Lender

[Letterhead of AT&amp;T]

\_\_\_\_\_, 1995

To the Addresses Listed on  
Exhibit A Attached Hereto

Re: American Airlines, Inc. (AB 1995 PTC Series)

Gentlemen:

I am \_\_\_\_\_ of AT&T Credit Holdings, Inc., a Delaware corporation (the "Owner Participant"), and have acted as counsel to the Owner Participant in connection with the transactions contemplated by that certain Refunding Agreement dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement") by and among American Airlines, Inc., as Lessee, Wilmington Trust Company, as Owner Trustee, NationsBank of Georgia, National Association, as Indenture Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, ABN AMRO Bank N.V., Houston Agency, as Original Loan Participant, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, the Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Owner Participant.

Except as otherwise noted herein, all capitalized terms used herein shall have the respective defined meanings set forth in the Refunding Agreement.

In connection with my opinion herein, I have examined executed counterparts of the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Rent Schedule and the Amended and Restated Rent Schedule (collectively, the "Agreements"). I have relied upon the representations and warranties contained in each such document and upon originals or copies, certified or otherwise identified to my satisfaction, of such other documents as I have deemed relevant to the rendering of this opinion. As to all matters of fact covered by such documents, I have relied, without independent investigation or verification, on such documents. In such examination I have assumed the genuineness of all signatures (other than that of the Owner Participant) and the authenticity of all documents submitted to me as originals and the conformity with the originals of all documents submitted to me as copies.

In rendering the opinions set forth below, I have assumed the due authorization, execution and delivery of the Agreements by each of the parties thereto other than the Owner Participant. In rendering the opinions set forth below I have also assumed (i) the registration of the Aircraft with the FAA in the name of the Owner Trustee effected on \_\_\_\_\_, 1992 is in full force and effect, (ii) the due filing and recordation under the Federal Aviation Act of 1958, as amended, of the Trust Indenture, as amended by the Amended and Restated Trust Indenture and Security Agreement, and other documents described in the opinion of Crowe & Dunlevy of even date herewith addressed to you, (iii) the absence at the time of such recording of any Liens in or upon such Aircraft, except for Liens created pursuant to the Operative Documents, and (iv) the filing of the Uniform Commercial Code financing statements and amendments thereto in the appropriate jurisdictions.

Based upon and subject to the foregoing, it is my opinion that:

1. The Owner Participant is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to execute, deliver and perform its obligations under the Agreements.
2. The Agreements have been duly authorized, executed and delivered by the Owner Participant.
3. Neither the execution of and delivery by the Owner Participant of the Agreements nor the consummation by the Owner Participant of any of the transactions contemplated thereby, nor the fulfillment of or compliance with the terms and provisions of any of the Agreements that are required to be fulfilled or complied with by the Owner Participant (a) requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to, any governmental authority or agency of the Federal government of the United States; or (b) violates any law, governmental rule or regulation of the Federal Government of the United States or any governmental authority or agency thereof; or (c) results in the breach of any of the terms, conditions or provisions of the Certificate of Incorporation or By-Laws of the Owner Participant; or (d) to the best of my knowledge without independent inquiry, is in violation of any judgment or order applicable to the Owner Participant or any material provision of any indenture, mortgage, contract or other agreement to which the Owner Participant is a party or by which the Owner Participant is bound.

4. There are no actions, suits or proceedings pending or, to the best of my knowledge without independent investigation, threatened against or affecting the Owner Participant in any court or before any administrative agency or arbitrator, which, if adversely determined, would materially and adversely affect the ability of the Owner Participant to perform its obligations under the Agreements.

I am a member of the Bar of the State of Illinois, and I do not express herein any opinion as to any matters governed by any law other than the corporate laws of the State of Delaware and the Federal law of the United States. No opinion is expressed herein as to matters governed by (i) any Federal or state securities laws, (ii) any Federal or state tax laws, or (iii) the Federal Aviation Act of 1958, as amended, or by any other laws, statutes, rules or regulations relating to the acquisition, ownership, registration, leasing, use or sale of the Aircraft, the Airframe or the Engines.

This opinion is furnished by me at the request of the Owner Participant for your sole benefit, and I agree that you may rely on the opinions expressed herein. No other person or entity shall be entitled to rely on this opinion without my express written consent. This opinion shall not be published or reproduced in any manner or distributed or circulated to any person or entity without my express written consent. This opinion is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Very truly yours,

Louis B. Fontana, Jr.

American Airlines, Inc., as Lessee

Wilmington Trust Company, as Owner Trustee

State Street Bank and Trust Company of Connecticut,  
National Association, as Loan Trustee and Pass Through Trustee

Sidley & Austin

The Mitsubishi Trust and Banking Corporation,  
New York Branch, as Initial Bank Lender

[CROWE &amp; DUNLEVY LETTERHEAD]

, 1995

To each of the Addressees Listed  
in Schedule A Attached Hereto

American Airlines, Inc. (AA 1995 PTC Series \_\_\_\_)

Ladies and Gentlemen:

Pursuant to Section 3(o) of the Refunding Agreement dated as of this date (the "Refunding Agreement") among American Airlines, Inc. as Lessee (the "Lessee"), AT&T Credit Holdings, Inc., (formerly known as AT&T Credit Corporation), as Owner Participant (the "Owner Participant"), Wilmington Trust Company as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, \_\_\_\_\_ as Loan Participant (the "Loan Participant"), NationsBank of Georgia, National Association, as Indenture Trustee (the "Indenture Trustee"), The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), this opinion is rendered with respect to matters arising under that portion of Title 49 of the United States Code (the "Code"), relating to the recordation of the instruments hereinafter described and the registration of the \_\_\_\_\_ aircraft with manufacturer's serial number \_\_\_\_\_ and United States nationality and registration marks \_\_\_\_\_ (the "Aircraft") pursuant to the Code. This letter confirms that we filed the following described instruments with the Federal Aviation Administration (the "FAA") today in accordance with the provisions of the Code, at the respective times noted below:

- (a) First Amendment to Trust Agreement (AA 1992 AF-\_\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Trust Agreement Amendment") between the Owner Trustee and the Owner Participant, which amended the Trust Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, was filed at : .M., C.D.T.;
- (b) Instrument of Resignation, Appointment and Acceptance dated as of this date (the "Instrument of Resignation") among the Lessee, the Owner Trustee, the Loan Trustee as assignee, the Indenture Trustee as assignor and the Loan Participant, which assigned the Trust Indenture and Security Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, between the Owner Trustee and the Indenture Trustee, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-\_\_\_\_) dated \_\_\_\_\_, 1992 (the "Original Indenture") and the Indenture Trustee's interest in the Lease Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, as supplemented by Lease Supplement No. 1 dated \_\_\_\_\_, 1992 (the "Lease") covering the Aircraft and the two \_\_\_\_\_ model \_\_\_\_\_ aircraft engines with manufacturer's serial numbers \_\_\_\_\_ and \_\_\_\_\_ (the "Engines"), was filed at : .M., C.D.T.;
- (c) Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Indenture") between the Owner Trustee and the Loan Trustee, which amended and restated the Original Indenture covering the Aircraft and the Engines, was filed at : .M., C.D.T.; and
- (d) First Amendment to Lease Agreement (AA 1992 AF-\_\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Lease Amendment") between the Owner Trustee as lessor and the Lessee, which amended the Lease covering the Aircraft and the Engines, was filed at : .M., C.D.T.

Based upon our examination of the above described instruments and of such records of the FAA as we deemed necessary to render this opinion and as were made available to us by the FAA, it is our opinion that:

- (a) the Trust Agreement Amendment was duly filed with the FAA pursuant to and in accordance with the provisions of Sections 44102 and 44103 of the Code;
- (b) the Instrument of Resignation, the Indenture and the Lease Amendment are in due form for recordation by and have been duly filed for recordation with the FAA pursuant to and in accordance with the provisions of Section 44107 of the Code;
- (c) the AC Form 8050 2 Aircraft Bill of Sale conveying title to the Aircraft to the Owner Trustee was duly recorded by the FAA on \_\_\_\_\_, pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_, the Lease (to which was attached the Original Indenture) was duly recorded by the FAA on the same date pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_ and the Original Indenture was duly recorded by the FAA on the same date pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_ ;
- (d) the Aircraft is duly registered in the name of the Owner Trustee pursuant to and in accordance with the provisions of Sections 44102 and 44103 of the Code;
- (e) the Owner Trustee is the owner of legal title to the Aircraft, and the Aircraft and the Engines are free and clear of all Liens (as such term is defined in the Lease), except those created by the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, and the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment;

- (f) the rights of the Owner Trustee and the Lessee under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment, with respect to the Aircraft and the Engines are perfected;
- (g) the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, constitutes a duly and validly perfected first priority mortgage of the Aircraft and the Engines and a duly perfected collateral assignment of all of the right, title and interest of the Owner Trustee in, to and under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment (insofar as such collateral assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code), subject only to the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment;
- (h) none of the Original Indenture, the Lease, the Instrument of Resignation, the Indenture or the Lease Amendment is required to be filed or recorded in any other place within the United States in order to perfect the mortgage of the Aircraft and the Engines or the collateral assignment to the Loan Trustee of the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment (insofar as such collateral assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code), under the applicable laws of any jurisdiction within the United States;
- (i) no other registration of the Aircraft and no filings other than the filings with the FAA which have been effected as described above are necessary to perfect in any jurisdiction within the United States the Owner Trustee's title to and interest in the Aircraft, the rights of the parties under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment, or the Loan Trustee's security interest created by the Original Indenture, as assigned by the Instrument of Resignation and amended and

restated by the Indenture, in and to the Aircraft and the Engines and the collateral assignment of all of the Owner Trustee's right, title and interest in, to and under the Lease, as amended by the Lease Amendment (insofar as such assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code); and

- (j) no authorization, approval, consent, license or order of, or registration or filing with, or the giving of notice to, the FAA Aircraft Registry is required for the valid authorization, delivery or performance of the Original Indenture, the Instrument of Resignation, the Indenture, the Lease and the Lease Amendment, except for such filings as have been effected.

No opinion is herein expressed as to: (i) laws other than the federal laws of the United States; (ii) the validity or enforceability under local law of the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture; and (iii) the recognition of the perfection of the mortgage and collateral assignment created by the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, as against third parties in any legal proceedings outside the United States. Since our examination was limited to records maintained by the FAA Aircraft Registry, our opinion does not cover liens which are perfected without the filing of notice thereof with the FAA, such as federal tax liens, liens arising under Section 1368(a) of Title 29 of the United States Code and possessory artisans' liens, and was subject to the accuracy of FAA personnel in the filing, indexing and recording of instruments filed with the FAA and in the search for encumbrance cross-reference index cards for the Engines.

In rendering this opinion, we have relied upon the opinion of the Assistant Chief Counsel for the Aeronautical Center dated \_\_\_\_\_, 1992 (a copy of which is attached hereto) and upon the past practice of the FAA which is consistent with said opinion. Said opinion is satisfactory as to form and scope and the addressees and their counsel or special counsel are justified in relying thereon.

Although this opinion is not addressed to the General Counsel for the Lessee, special counsel for the Lessee, special counsel for the Owner Trustee or special counsel for the Owner Participant, they may rely upon it as though addressed to them.

Very truly yours,

ROBIN D. JENSON  
For the Firm

RDJ:prt

## Lessee

American Airlines, Inc.

## Owner Participant

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit Corporation)

## Owner Trustee

Wilmington Trust Company

## Loan Trustee and Pass Through Trustee

State Street Bank and Trust Company of  
Connecticut, National Association

## Loan Participant

[To be inserted]

## Rating Agent

Moody's Investors Service Inc.  
Standard & Poor's Ratings Group

## Initial Bank Lender

The Mitsubishi Trust and Banking Corporation,  
New York Branch

June \_\_, 1995

TO THE PARTIES SET FORTH  
IN SCHEDULE A HERETO

RE: AMERICAN AIRLINES, INC.  
REFUNDING AGREEMENT (AA 1995 PTC SERIES AB)

Ladies and Gentlemen:

We are acting special as counsel to State Street Bank and Trust Company of Connecticut, National Association, individually ("SSB"), and as Pass Through Trustee (the "PASS THROUGH TRUSTEE") under the Pass Through Trust Agreement, Amended and Restated as of February 1, 1992, between American Airlines, Inc. and the Pass Through Trustee, and State Street Bank and Trust Company (the "PARENT GUARANTOR") in connection with the transactions contemplated by (i) that certain Refunding Agreement (AA 1995 PTC Series AB) dated as of June \_\_, 1995 (the "REFUNDING AGREEMENT"), among SSB, as Pass Through Trustee; American Airlines, Inc., as Lessee; AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant; Wilmington Trust Company, as Owner Trustee; SSB, as Loan Trustee; ABN AMRO BANK N.V., Houston Agency, as Original Loan Participant; The Mitsubishi Trust Banking Corporation, New York Branch, as Initial Bank Lender; and NationsBank of Georgia, National Association, as Indenture Trustee, and (ii) the Guarantee (Pass Through Trustee) dated as of June \_\_, 1995 (the "GUARANTEE") from the Parent Guarantor to the Beneficiaries named therein. This opinion is delivered to you pursuant to Section 4(b)(ii) of the Refunding Agreement. Except as otherwise defined herein, terms used herein shall have the meanings set forth in the Refunding Agreement or in the Pass Through Trust Supplements or the Lease (as such terms are defined in the Refunding Agreement).

Our representation of SSB, the Pass Through Trustee and the Parent Guarantor has been as special counsel for the purposes stated above. As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the parties set forth in the Operative Documents and (ii) certificates delivered to us by the management of SSB

and the Parent Guarantor, and have assumed, without independent inquiry, the accuracy of those representations and certificates.

We have examined the Refunding Agreement, the Participation Agreement, the Guarantee, the Pass Through Certificates and the Pass Through Trust Documents, Certificates of the Comptroller of the Currency and the Massachusetts Commissioner of Banks relating to SSB and the Parent Guarantor, respectively, and originals, or copies certified or otherwise identified to our satisfaction, of other such records, documents, certificates, or other instruments as we have deemed necessary or advisable for the purposes of this opinion.

We have assumed the genuineness of all signatures (other than those on behalf of SSB, the Pass Through Trustee and the Parent Guarantor), the conformity to the originals of all documents reviewed by us as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document (other than on behalf of SSB, the Pass Through Trustee and the Parent Guarantor).

When an opinion set forth below is given to the best of our knowledge, or to our knowledge, or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual knowledge or awareness of the individual lawyer in the firm that signed this opinion, the individual lawyers in the firm who have participated directly in the specific transactions to which this opinion relates or in the preparation of this opinion and the partner of the firm responsible for SSB corporate trust matters, and without any special or additional investigation undertaken for the purposes of this opinion.

Each opinion set forth below relating to the enforceability of any agreement or instrument against SSB, the Pass Through Trustee, or the Parent Guarantor, as applicable, is subject to the following general qualifications:

(i) as to any agreement to which SSB, or the Pass Through Trustee, as applicable, is a party, we assume that such agreement is the legal, valid and binding obligation of each other party (other than SSB and the Pass Through Trustee, as the case may be) thereto;

(ii) the enforceability of any obligation of SSB, the Pass Through Trustee, and the Parent Guarantor may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, marshalling

and other similar laws and rules of law affecting the enforcement generally of creditors' rights and remedies (including such as may deny giving effect to waivers of debtors' or guarantors' rights); and

(iii) the enforcement of any rights and the availability of any specific or equitable relief of any kind may in all cases be subject to an implied duty of good faith and to general principles of equity (regardless of whether such enforceability or relief is considered in a proceeding at law or in equity).

Subject to the limitation set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. The opinions expressed in paragraphs 1 through 7 below are limited solely to the internal substantive laws of the State of Connecticut and the federal laws of the United States of America, and the opinions expressed in paragraphs 8, 10, 11, 12 and 13 below are limited solely to the laws of The Commonwealth of Massachusetts and the federal laws of the United States of America. The opinion expressed in paragraph 9 below is limited solely to the internal substantive laws of the State of Connecticut and the internal substantive laws of The Commonwealth of Massachusetts. No opinion is expressed herein as to the application or effect of federal securities laws or as to the securities or so-called "Blue Sky" laws of any state or other jurisdiction. In addition, other than our opinion expressed in paragraph 1 below with respect to the citizenship of SSB, no opinion is expressed as to matters governed by Title 49 of the United States Code, or by any other law, statute, rule or regulation of the United States relating to the acquisition, ownership, registration, use, operation, maintenance, repair, replacement or sale of or the nature of the Aircraft, Airframe or Engines.

With your permission, with respect to paragraphs 1 through 5 below in connection with our opinion relating to the legality, validity and binding effect of the documents there referred to, to the extent that the laws of the State of Connecticut do not govern such documents, we have assumed that the laws of the jurisdictions whose laws govern such documents are not materially different from the internal substantive laws of the State of Connecticut.

In rendering the opinions set forth below in paragraphs 6 and 13 as to certain Connecticut and Massachusetts tax matters, respectively, we have assumed that, for federal income tax purposes, the trusts created by the Pass Through Trust Supplements are not classified as associations taxable as corporations and that the trusts created by the Pass Through Trust Supplements are grantor trusts under subpart E, Part I of Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended.

This opinion is rendered solely for the benefit of those institutions listed on Schedule A hereto and their successors and assigns in connection with the transactions contemplated by the Refunding Agreement and may not be used or relied upon by any other person or for any other purpose.

Based on and subject to the foregoing, we are of the opinion that:

1. SSB is a national banking association duly organized and validly existing in good standing with the Comptroller of the Currency under the laws of the United States of America, is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, and has the corporate power and authority to execute, deliver and carry out, individually or as Pass Through Trustee, as the case may be, the terms of the Refunding Agreement, the Participation Agreement and each of the Pass Through Trust Documents;
2. each of the Refunding Agreement and the Pass Through Trust Documents has been duly authorized, executed and delivered by SSB, individually or as Pass Through Trustee, as the case may be, and, assuming the due authorization, execution and delivery by the other parties thereto and that value has been given, the Refunding Agreement, the Participation Agreement, the Pass Through Certificates and the Pass Through Trust Documents constitute the legal, valid and binding obligations of SSB, individually or as Pass Through Trustee, as the case may be, enforceable against it in such capacities in accordance with their respective terms;
3. the Pass Through Certificates issued on the date hereof have been duly authorized and duly and validly executed, authenticated, issued and delivered by SSB, as Pass Through Trustee, pursuant to the terms and provisions of, and in accordance with the requirements of, each of the Pass Through Trust Documents, as supplemented, and the holders thereof are entitled to the benefits of the Pass Through Trust Agreement, as supplemented, pursuant to which the Pass Through Certificates held by such holder were issued;
4. the execution, delivery and performance by SSB, individually or as Pass Through Trustee, as the case may be, of the Refunding Agreement and each of the Pass Through Trust Documents, the performance by it of the Participation Agreement, and the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to the Refunding Agreement and the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents, have been duly authorized by all necessary corporate action on the part of SSB, individually or as Pass Through Trustee,

as the case may be, and do not and did not require any approval of the stockholders of SSB, and such execution, delivery, performance and other actions were not and are not in violation of SSB's Articles of Association or By-laws or of any indenture, mortgage, credit agreement, license or other agreement or instrument, in each case known to us, to which SSB, individually or as Pass Through Trustee, as the case may be, is a party or by which it in either capacity is bound, or of any judgment or order known to us or of any federal law, rule or regulation relating to its banking or trust powers or any Connecticut law, rule or regulation applicable to SSB in either capacity;

5. neither the execution, delivery or performance by SSB, individually or as Pass Through Trustee, as the case may be, of the Refunding Agreement, the Pass Through Certificates and the Pass Through Trust Documents, nor the performance by it of the Participation Agreement, nor the consummation of any of the transactions by SSB, individually or as Pass Through Trustee, as the case may be, contemplated thereby nor the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to the Refunding Agreement or the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents required or requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to, any governmental authority or agency under any existing federal or Connecticut law governing the banking, fiduciary or trust powers of SSB;

6. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the State of Connecticut or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Pass Through Trustee, as the case may be, or by the Lessee, of the Pass Through Trust Documents, the Participation Agreement or the Refunding Agreement or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Pass Through Certificates pursuant to the Pass Through Trust Documents. Neither SSB, in its individual capacity or as Pass Through Trustee, as the case may be, the trusts created by the Pass Through Trust Documents, any of the Trust Property nor the Loan Trustee in its capacity as trustee, will be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee). Holders of Pass Through Certificates or persons acquiring an interest in Pass Through Certificates who are not residents of or otherwise subject to tax in

Connecticut will not be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof as a result of purchasing, holding, owning (including receiving payments with respect to) or selling a Pass Through Certificate. No applicable Taxes are imposed under the laws of the State of Connecticut or any political subdivision thereof upon or with respect to (a) the offering, registration, reregistration, issuance, acquisition, modification, assumption, reissuance, refinancing or refunding of Pass Through Certificates or any other documents contemplated thereby and amendments and supplements thereto, (b) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Pass Through Certificates, (c) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by the Pass Through Trustee under the Pass Through Trust Documents or (d) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if SSB had not had its principal place of business in, and not performed, either in its individual capacity or as Pass Through Trustee, as the case may be, any or all of its administrative duties under the Pass Through Trust Documents in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Connecticut;

7. to the best of our knowledge, there are no proceedings pending or threatened against or affecting SSB, either in its individual capacity or as Pass Through Trustee, as the case may be, in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the trusts created by the Pass Through Trust Documents or would question the right, power and authority of SSB in either capacity to enter into or perform its obligations under the instruments referred to in paragraphs 1 and 3 above;

8. the Parent Guarantor is a Massachusetts trust company, duly organized, validly existing and in good standing with the Commissioner of Banks of the Commonwealth of Massachusetts under the laws of the Commonwealth of Massachusetts;

9. all of the shares of the outstanding capital stock of SSB are owned of record by the Parent Guarantor;

10. the Parent Guarantor has full corporate power and authority and legal right to enter into and perform its obligations under the Guarantee,

and the Guarantee has been duly authorized, executed and delivered by duly authorized officers of the Parent Guarantor and is the legal, valid and binding obligation of the Parent Guarantor enforceable against the Parent Guarantor in accordance with its terms;

11. the execution and delivery of the Guarantee and compliance by the Parent Guarantor with all of the provisions thereof do not and will not (i) contravene any law or, (ii) contravene any order known to us of any court or governmental authority or agency applicable to or binding on the Parent Guarantor or (iii) contravene the provisions of its charter documents or by-laws or the provisions of any indenture, mortgage, contract or other agreement, in each case known to us, to which it is a party or by which it or its properties may be bound or affected;

12. neither the execution nor the delivery of the Guarantee by the Parent Guarantor nor the performance by the Parent Guarantor of the Guarantee requires the consent, approval or authorization of, the giving of notice to, the recording or filing, registration or qualification with, or the taking of any other action in respect of any Massachusetts governmental authority on the part of the Parent Guarantor.

13. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the Commonwealth of Massachusetts or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Pass Through Trustee, as the case may be, or by the Lessee, of the Pass Through Trust Documents, the Participation Agreement or the Refunding Agreement or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Pass Through Certificates pursuant to the Pass Through Trust Documents. Neither SSB, in its individual capacity or as Pass Through Trustee, as the case may be, the trusts created by the Pass Through Trust Documents, any of the Trust Property nor the Loan Trustee in its capacity as trustee, will be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee). Holders of Pass Through Certificates or persons acquiring an interest in Pass Through Certificates who are not residents of or otherwise subject to tax in Massachusetts will not be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof as a result of purchasing, holding, owning (including receiving payments with respect to) or selling a Pass Through Certificate. No

applicable Taxes are imposed under the laws of the Commonwealth of Massachusetts or any political subdivision thereof upon or with respect to (a) the offering, registration, reregistration, issuance, acquisition, modification, assumption, reissuance, refinancing or refunding of Pass Through Certificates or any other documents contemplated thereby and amendments and supplements thereto, (b) the payment of the principal of, or interest or premium on, or other amounts payable with respect to, any or all of the Pass Through Certificates, (c) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by the Pass Through Trustee under the Pass Through Trust Documents or (d) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if SSB had not performed, either in its individual capacity or as Pass Through Trustee, as the case may be, any or all of its administrative duties under the Pass Through Trust Documents in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the Commonwealth of Massachusetts.

This opinion is rendered to you at the request of SSB, as Pass Through Trustee, and the Parent Guarantor, pursuant to the Refunding Agreement and SSB, as Pass Through Trustee, and the Parent Guarantor have consented to the opinions expressed herein. We have discussed with SSB, as Pass Through Trustee, and the Parent Guarantor the consequences of their request for and consent to the rendering of the opinions expressed herein.

Very truly yours,

BINGHAM, DANA & GOULD

## SCHEDULE A

American Airlines, Inc., as Lessee

State Street Bank and Trust Company of Connecticut, National Association, as  
Loan Trustee

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as  
Owner Participant

Wilmington Trust Company, as Owner Trustee

ABN AMRO BANK N.V., Houston Agency, as Original Loan Participant



## AMENDMENT TO PARTICIPATION AGREEMENT

The Participation Agreement is amended as follows:

1. AMENDMENT OF RECITALS TO THE PARTICIPATION AGREEMENT. The fifth whereas clause is amended by deleting the parenthetical in clause (ii) thereof and substituting therefor the following: "(individually, as more particularly defined in the Lease referred to below, a "Certificate", and collectively, the "Certificates")".

2. AMENDMENT OF SECTION 1 OF THE PARTICIPATION AGREEMENT. Section 1(c) and all references thereto in the Participation Agreement are hereby deleted.

3. AMENDMENT OF SECTION 6 OF THE PARTICIPATION AGREEMENT. Section 6 is amended by deleting the words "premium, if any," and substituting therefor the words "Make-Whole Amount, if any, Swap Breakage Loss, if any,". Section 6 is further amended by deleting the word "2.05" and substituting therefor the word "2.09".

4. AMENDMENT OF SECTION 7 OF THE PARTICIPATION AGREEMENT.  
(a) Section 7(b)(2) is amended by deleting the words "any Loan Participant" from the first place where they appear and substituting therefor the words "the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender, the Pass Through Trustee (in both its individual capacity and as Pass Through Trustee), each Original Loan Participant (with respect to matters arising prior to the Refunding Date)"; by inserting following clause (b) in the last parenthetical therein the words "(c) the Pass Through Trustee (in both its individual capacity and as Pass Through Trustee) together with the Pass Through Trustee, (d) the Initial Bank Lender, together with the Initial Bank Lender, (e) any Permitted Transferee that is a Bank Lender, together with such Permitted Transferee,"; and by renaming clauses (c), (d) and (e) in such parenthetical as clauses (f), (g) and (h), respectively. Renamed clause (f) of Section 7(b)(2) is amended by inserting the word "Original" before the words "Loan Participant" each time they appear. The following sentence shall be inserted at the end of Section 7(b)(2): "No holder of a Pass Through Certificate shall be an Indemnitee for purposes hereof."

(b) Clause (i) of the first sentence of Section 7(b)(3) is amended by adding the words ", the Refunding

Agreement, the Pass Through Trust Documents" after the words "the Operative Documents"; clause (vi) of the first sentence of Section 7(b)(3) is amended by inserting after the words "any Certificates or" the words "Pass Through Certificates or".

(c) Clause (iv) of Section 7(b)(4) is amended by inserting the words "or any Pass Through Trust Document" after the words "Operative Document".

(d) Clause (vi) of Section 7(b)(4) is amended by inserting the words "or Pass Through Certificates" after the word "Certificates"; and by deleting everything in such clause (vi) following the words "without limitation," and substituting therefor the words "Article 8 thereof (it being understood that the cancellation of any Loan Certificates in connection with a refinancing under Section 17 or 20 shall not constitute a disposition of Loan Certificates for purposes of this Section 7(b)(4)(vi))".

(e) Clause (viii) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trustee," after the words "Indenture Trustee", and by inserting the words "or the Pass Through Trust Documents," after the words "Trust Indenture".

(f) Clause (ix) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trust Documents" after the words "Operative Documents", each time they appear.

(g) Clause (x) of Section 7(b)(4) is amended by adding the words "or an event which would constitute such an Event of Default but for the requirement that notice be given or time elapse or both" after the word "Lease".

(h) Clause (xi) of Section 7(b)(4) is amended by inserting the word "Group" after the words "Related Indemnitee".

(i) Clause (xii) of Section 7(b)(4) is amended by deleting the words "9(e)" and "9(g)" and by inserting the words ", Section 12 of the Refunding Agreement" after the word "hereof."

(j) Clause (xiii) of Section 7(b)(4) is amended by adding the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(k) Section 7(b)(4)(xiv) is amended in its entirety to read as follows:

"Any Claim to the extent that such Claim relates to amounts payable by the Owner Trustee to the Loan Trustee in respect of the Equipment Notes or otherwise under the Trust Indenture with respect to x) Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable as a result of a redemption or purchase of any Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of the Lessee or y) an Indenture Default that does not constitute a Lease Event of Default;"

(l) Section 7(b)(4)(xv) is amended by deleting the period at the end thereof and replacing it with a semicolon.

(m) New clauses (xvi), (xvii), (xviii) and (xix) of Section 7(b)(4) are hereby added to read as follows:

"(xvi) Any Claim of the Pass Through Trustee or any Loan Participant to the extent that it is indemnified by the Lessee pursuant to the Pass Through Trust Agreement (including, without limitation, Section 7.06 thereof);

"(xvii) Any Claim that relates to any Actual Swap, Swap Transaction or Swap Participation except for Swap Breakage Losses payable by the Lessee pursuant to Section 3(c), 9 or 10 of the Lease;

"(xviii) Any Claim that relates to any cost, loss or expense in the nature of an Additional Cost, it being understood that obligations with respect to such Additional Costs are set forth in their entirety in Section 14 of the Refunding Agreement and in Section 3(c) of the Lease; and

"(xix) Any Claim to the extent attributable to the offer, sale, assignment, transfer, participation or other disposition, whether voluntary or involuntary, by any Bank Lender of any Bank Equipment Note or any other interest in the Indenture Estate or arising under the Operative Documents (other than a transfer resulting from the exercise of any remedies provided for in Section 15 of the Lease or under the Indenture as a result

of an Event of Default under the Lease or of a Bank Lender's Bank Equipment Note pursuant to Section 14(b) of the Refunding Agreement)."

(n) Section 7(b)(7) is amended by deleting the words "Section 7.01 of the Trust Indenture" and inserting in substitution therefor the words "Section 9.05 of the Trust Indenture".

(o) Section 7(b)(8) is amended by deleting the second sentence thereof.

(p) Section 7(c)(2)(iv) is amended by deleting the word "2.16" and substituting the word "7.03" therefor.

(q) Section 7(c)(2)(v) is amended by deleting the word "2.16" and substituting the word "7.03" therefor.

(r) Clause (D) of Section 7(c)(2)(ix) is amended by deleting the words "any Loan Participant" after the words "Indenture Estate," and substituting the words "any Bank Lender" therefor.

(s) Section 7(c)(2)(x) is amended by deleting the words "Loan Participant," and substituting the words "Bank Lender," therefor.

(t) Section 7(c)(2)(xi) is amended by deleting the words "or, in the case of any Loan Participant, if such failure was the result of the Indenture Trustee's negligence or the Indenture Trustee's actions or failure to act in accordance with instructions of such Loan Participant".

(u) Section 7(c)(2)(xii) is amended by deleting the words "any Loan Participant,".

(v) Section 7(c)(2)(xv) is amended by deleting it in its entirety and substituting therefor the following:

"(xv) In the case of any Bank Lender, Taxes which are imposed by any country, taxing authority or governmental subdivision thereof or therein or any international authority except to the extent that such Taxes would have been imposed had the transactions contemplated by (and the enforcement of) the Refunding Agreement and the other Operative Documents been the sole connection between such country, taxing authority, governmental subdivision or international authority and

such Bank Lender; provided that the exclusion set forth in this subparagraph (xv) shall not apply to Taxes imposed by the federal government of the United States or any taxing authority thereof;"

(w) Section 7(c)(2)(xvi) is amended by deleting it in its entirety and substituting therefor the following:

"(xvi) In the case of any Bank Lender, Taxes which result from the willful misconduct or gross negligence of any Bank Lender or acts of any Bank Lender not permitted or contemplated by the Refunding Agreement and the Operative Documents;"

(x) Section 7(c)(2) is amended by adding to the end thereof the following:

"(xvii) In the case of any Bank Lender, Taxes that would not have been imposed but for the breach by any Bank Lender of any of its representations, warranties or covenants contained in the Refunding Agreement or any other Operative Document;

(xviii) In the case of any Bank Lender, Taxes imposed on or with respect to the net or gross income, capital, receipts, franchises or conduct of business by the federal government of the United States or any taxing authority of such federal government; provided that the exclusion set forth in this subparagraph (xviii) shall not apply to any such Taxes imposed on a Bank Lender that is a Treaty Lender to the extent such Taxes (x) result from a change after the date such Bank Lender becomes a Bank Lender in an applicable treaty (including the entering into of a new treaty but excluding the entry into force of the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital signed August 31, 1994), in the Code or in any other applicable law, other than, in the case of a Treaty Lender whose Applicable Jurisdiction is Norway or Austria, a change in or inclusion of an "anti-treaty shopping", "limitation of benefits" or similar provision in the Norwegian or Austrian treaty (including the entering into of a new treaty), in the Code or in any other applicable law, and y) would have been imposed had the transactions contemplated by (and the enforce-

ment of) the Operative Documents been the sole connection between such Bank Lender and the United States;

(xix) In the case of any Bank Lender, Taxes that result from the breach by the Indenture Trustee of any of its representations, warranties or covenants contained in this Agreement or any other Operative Document; and

(xx) In the case of any Bank Lender, Taxes to the extent such Taxes exceed the amount of Taxes that would have been imposed and indemnified against had there not been a grant of a participation in the loan evidenced by its Bank Equipment Notes by any Bank Lender."

(y) Section 7(c)(3) is amended by deleting the words "no Loan Participant" and substituting the words "no Bank Lender" therefor and by deleting the words "any Loan Participant" and substituting the words "any Bank Lender" therefor.

(z) Section 7(c)(10) is amended by deleting the words "any Loan Participant" and substituting the words "any Bank Lender" therefor.

(aa) Section 7(c)(11) is amended by deleting the words "each Loan Participant," and substituting the words "the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender," therefor; by inserting the words "(but shall not include the Pass Through Trustee, any Loan Participant (other than the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender), any holder of a Pass Through Certificate or any holder of a Pass Through Equipment Note)" between the words "Indenture Estate" and ", and any reference"; by deleting the words ", any Loan Participant" and substituting the words ", any Bank Lender" therefor; by deleting the words "such Loan Participant," and substituting the words "such Bank Lender," therefor; by deleting the words "to any Loan Participant" and substituting the words "to any Bank Lender" therefor.

(bb) Section 7(c) is amended by adding at the end thereof the following:

"(13) Reverse Indemnity. Notwithstanding anything to the contrary provided in this Section 7(c), each Bank Lender shall indemnify the Lessee, the Owner

Participant and each of their successors and permitted assigns ("Bank Lender Indemnitees") against (1) any Taxes imposed on such Bank Lender or on payments made (or deemed made) to such Bank Lender which are paid by or asserted against the Owner Participant, the Indenture Trustee or the Lessee as payor or withholding agent, and which are not required to be indemnified by Lessee and (2) any Taxes described in Section 7(c)(2)(xvi) or (xvii) and attributable to such Bank Lender, together in each case with any related liability or expense incurred by such Bank Lender Indemnitee. Each Bank Lender and the Indenture Trustee each agrees to furnish from time to time to the Lessee or to such other Person as the Lessee may designate such duly executed and properly completed forms, statements and other documentation ('Tax Forms') and assistance as may be necessary or appropriate in order to claim any reduction of or exemption from any Taxes which the Lessee may be required to indemnify against hereunder or otherwise pay, if such reduction or exemption is available to such Tax Indemnitee. Any such Tax Forms (other than Tax Forms described in Section 10(d)(iii) of the Refunding Agreement) shall be provided within 30 days after receipt of written notice from the Lessee specifying the Tax Forms to be completed. The Lessee shall have no obligation to notify any Bank Lender or the Indenture Trustee as to any Tax Forms described in Section 10(d)(iii) of the Refunding Agreement. If any Bank Lender requests compensation for any amounts for which the Lessee must indemnify such Bank Lender in accordance with this Section 7(c), such Bank Lender may be required to transfer all of its rights and obligations as a 'Bank Lender' under its Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture in accordance with Section 14(b) of the Refunding Agreement."

(cc) Section 7(d) is amended by inserting the words "or any of the Pass Through Trust Documents" between the words "Operative Documents" and ".".

5. AMENDMENT OF SECTION 9 OF THE PARTICIPATION AGREEMENT.

(a) The second sentence of Section 9(c) is amended by inserting the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(b) The first sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent". The third sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent". Section 9(d) is further amended by deleting all references to the Original Loan Participant contained therein.

(c) Section 9(e) is amended by deleting it in its entirety and substituting therefor the following:

"(e) [Intentionally Omitted]."

(d) Section 9(g) is amended by deleting it in its entirety and substituting therefor the following:

"(g) [Intentionally Omitted]."

(e) Section 9(j) is amended by deleting the words "Section 3.07(b)" each time they appear and substituting therefor the words "Section 9.03".

(f) Section 9(k) is amended by deleting it in its entirety and substituting therefor the following:

(k) The Loan Trustee, and by its acceptance of an Equipment Note, each holder thereof (and each Pass Through Trustee, so long as the relevant Pass Through Trust Supplement is in effect), hereby waives to the fullest extent permitted by law the benefit of the provisions of Section 1111(b) of Title 11 of the United States Code to the extent such provisions give recourse against the Owner Trustee (in its individual capacity) and the Owner Participant on account of any amount payable as principal of, Swap Breakage Loss, if any, Make-Whole Amount, if any, and interest on the Equipment Notes. If (i) all or any part of the Trust Estate becomes the property of, or the Owner Participant becomes, a debtor subject to the reorganization provisions of the Bankruptcy Reform Act of 1978 or any successor provision, (ii) pursuant to such reorganization provisions the Owner Trustee (in its individual capacity) or the Owner Participant is required, by reason of the Owner Trustee (in its individual capacity) or the Owner Participant being held to have recourse liability to a holder of an Equipment Note, a Pass Through

Trustee or the Loan Trustee, directly or indirectly, to make payment on account of any amount payable as principal, Swap Breakage Loss, if any, Make-Whole Amount, if any, or interest on the Equipment Notes and (iii) such holder, such Pass Through Trustee or the Loan Trustee actually receives any Excess Payment (as hereinafter defined) which reflects any payment by the Owner Trustee (in its individual capacity) or the Owner Participant on account of (ii) above, then such holder, such Pass Through Trustee or the Loan Trustee shall promptly refund to the Owner Trustee or the Owner Participant (whichever shall have made such payment) such Excess Payment. For purposes of this Section 9(k), "Excess Payment" means the amount by which such payment exceeds the amount which would have been received by such Holder, such Pass Through Trustee or the Loan Trustee if the Owner Trustee (in its individual capacity) or the Owner Participant had not become subject to the recourse liability referred to in clause (ii) above. Nothing contained in this Section 9(k) shall prevent any holder of an Equipment Note, any Pass Through Trustee or the Loan Trustee from enforcing any personal recourse obligation (and retaining the proceeds thereof) of the Owner Trustee (in its individual capacity) or the Owner Participant under the Refunding Agreement, this Participation Agreement or the Trust Indenture (and any exhibits or annexes thereto).

(g) Section 9(m) of the Participation Agreement is amended by deleting it in its entirety and substituting therefor the following:

"(m) Each of the Owner Participant and the Owner Trustee hereby agrees, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; provided that prior to any such change in the country of registry of the Aircraft (other than a change in country of registry that results in the registration of the Aircraft under the laws of the United States of America), the Owner Participant, the Owner Trustee and the Bank Lenders shall have received from counsel to the Lessee reasonably satisfactory to the Owner Participant, the Owner

Trustee and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes an opinion to the effect that (i) the terms of any relevant sublease and the Lease are legal, valid, binding and enforceable in such country to substantially the same extent as such documents are at the time enforceable in the United States, (ii) there is no statutory, regulatory or case law in such country imposing tort liability on the owner of an aircraft not in possession thereof, or on a lender providing funds for the purchase of an aircraft, under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such an owner or lender under the laws of the United States or any state thereof (it being understood that, in the event such opinion cannot be given in a form satisfactory to the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes, such opinion shall be waived if insurance reasonably satisfactory to the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes is provided by the Lessee to cover the risk of such liability), (iii) such re-registration will not result in the imposition by such country of any Taxes on the Owner Trustee, the Owner Participant or any Bank Lender for which the Lessee is not required to indemnify the Owner Participant, the Owner Trustee or any Bank Lender, as the case may be (provided that in lieu of the opinion referred to in this clause (iii) the Lessee may indemnify the Owner Participant, the Owner Trustee or the Bank Lenders, as the case may be, for any Taxes imposed by such country in connection with or relating to the transactions contemplated by the Operative Documents which would not have been imposed but for such re-registration); (iv) there exist no possessory rights in favor of the Lessee or any sublessee under the laws of such country which would, upon bankruptcy of or other default by the Lessee or any sublessee, prevent the return of the Aircraft to the Owner Trustee in accordance with and when permitted by the terms of Sections 14 and 15(a) of the Lease upon the exercise by the Owner Trustee of its remedies under Section 15(a) of the Lease; (v) it is not necessary for the

Owner Participant or the Owner Trustee to qualify to do business in such jurisdiction solely as a result of the proposed re-registration; (vi) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Lessee shall have provided contemporaneously with such re-registration insurance reasonably satisfactory to the Lessor, the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes covering the risk of requisition of use of the Aircraft by the government of such country so long as the Aircraft is registered under the laws of such country); (vii) the Lessee shall have paid or made provision for the payment of all expenses of the Owner Participant, the Owner Trustee and the Bank Lenders in connection with such change in registration; and (viii) solely in the case of the Bank Lenders, after giving effect to such change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a valid and duly perfected lien and that all filing, recording or other action necessary to perfect and protect the Lien of the Indenture has been accomplished (or if such opinion cannot be given at the time by which the Bank Lenders have been requested to consent to a change in registration, (I) the opinion shall detail what filing, recording or other action is necessary and (II) the Bank Lenders shall have received a certificate from the Lessee that all possible preparations to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Bank Lenders on or prior to the effective date of such change in registration); and provided, further, that (x) the Owner Trustee, the Owner Participant and the Bank Lenders shall have received prior to or contemporaneously with such re-registration (1) a certificate of insurance signed by an independent insurance broker to the effect that the Aircraft is and after such re-registration will continue to be insured in such country in accordance with the requirements of Section 11 of the Lease, (2) a

certificate signed by a duly authorized officer of the Lessee stating that no Event of Default exists as of the date of such certificate and no Event of Default will occur or exist upon or resulting from such re-registration, (3) evidence and assurances reasonably satisfactory to the Owner Trustee, the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes, that the aircraft and engine maintenance standards under the laws of such country of re-registration are substantially similar to those required by the central civil aviation authority of any of the United States, the United Kingdom, the Federal Republic of Germany, France, Canada or Japan, and (4) in the case of the Owner Participant only, assurances reasonably satisfactory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have made arrangements reasonably satisfactory to the Owner Participant that all payments to be made by or on behalf of the Lessee under the Operative Documents and by any sublessee under the relevant sublease will be paid in U.S. Dollars) and (y) the Lessee shall not cause the Aircraft to be registered pursuant to Section 7(a)(i) of the Lease under the laws of any foreign jurisdiction without the prior written consent of the Owner Participant if (1) the civil aviation laws of such foreign jurisdiction impose unusual requirements on registrants of civil aircraft, and (2) the Owner Participant would be required to comply with such unusual requirements upon the registration of the Aircraft in such foreign jurisdiction, and the Owner Participant's compliance therewith would result in a material burden on the Owner Participant's business activities."

(h) Section 9(n) is amended by deleting it in its entirety and substituting therefor the following:

"(n) Subject to Section 7.02 of the Trust Indenture, the Loan Trustee hereby agrees, for the benefit and at the expense of the Lessee, to cooperate with the Owner Trustee and the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; and the Lessee agrees for the benefit of the Loan Trustee that so long as any Equipment Note remains out-

standing, the Lessee will not cause a change in registration unless such change is in compliance with such Section 7.02."

(i) Section 9(o) is amended by deleting it in its entirety and substituting therefor the following:

"(o) [Intentionally Omitted]."

(j) Section 9(p) is amended by deleting it in its entirety and substituting therefor the following:

"(p) The Owner Trustee shall, promptly upon receipt of monies from the Loan Trustee pursuant to Section 7.01 or 10.04 of the Trust Indenture, pay such monies to the Lessee."

(k) Section 9(q) is amended by deleting it in its entirety and substituting therefor the following:

"(q) [Intentionally Omitted]."

(l) Section 9(r) is amended by deleting it in its entirety and substituting therefor the following:

"(r) [Intentionally Omitted]."

(m) Section 9(s) is amended by deleting it in its entirety and substituting therefor the following:

"(s) [Intentionally Omitted]."

6. AMENDMENT OF SECTION 10 OF THE PARTICIPATION AGREEMENT.

Section 10 is amended by adding the following at the end thereof:

"The Lessee hereby consents in all respects to the execution and delivery of the Trust Indenture and to all of the terms thereof, and the Lessee acknowledges receipt of an executed counterpart of the Trust Indenture. The Owner Participant, the Owner Trustee, the Pass Through Trustee and the Loan Trustee hereby agree that the provisions of Sections 7.02 and 7.03 of the Indenture are hereby incorporated by reference herein for the benefit of the Lessee. Notwithstanding the foregoing, the Loan Trustee and the Owner Trustee hereby agree for the benefit of the Lessee that the Trust Indenture shall not be amended, modified or supplement-

ed without the prior written consent of the Lessee if such amendment, modification or supplement would adversely affect the Lessee. The Loan Trustee and the Owner Trustee agree to furnish promptly to the Lessee copies of any amendment, modification or supplement to any Operative Document to which the Lessee is not a party."

7. AMENDMENT OF SECTION 12 OF THE PARTICIPATION AGREEMENT.

The first sentence of Section 12 is amended by inserting the words ", the Refunding Agreement" after the words "this Agreement". Section 12 is further amended by inserting the word "Original" before the words "Loan Participant" each time they appear.

8. AMENDMENT OF SECTION 13 OF THE PARTICIPATION AGREEMENT.

(a) The first sentence of Section 13 is amended by deleting the words "each Loan Participant" and substituting therefor the words "the Pass Through Trustee".

(b) Paragraph (A) of Section 13 is amended by inserting the words ", the Pass Through Trustee" after the words "Owner Participant", by deleting the words "the Original Loan Participant" and by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents".

(c) Clause (i) of paragraph (E) of Section 13 is amended by inserting the words "the Pass Through Trust Documents (for so long as any Pass Through Certificate is outstanding)," after the words "the Lease,"; the third to last sentence of paragraph (E) is amended by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents".

9. AMENDMENT OF SECTION 15 OF THE PARTICIPATION AGREEMENT.

(a) Section 15(a) is amended by deleting the definitions of "Break Funding Gain", "Debt Rate", "Interest Period", "LIBOR Loan", "LIBOR Rate", "London Business Day", "Majority in Interest of Certificate Holders", "New York Business Day", "Permitted Transferee", "Short Period Rate Loan" and "Short Period Rate". Section 15(a) is further amended by inserting the following definitions in alphabetical order:

"`Actual Swap' means (x) with respect to the Initial Bank Lender, the Swap Transaction and (y) with respect to any other Bank Lender, that portion, if any, of the Swap Transaction assigned to such Bank Lender as contemplated by Exhibit N to the Refunding Agreement.

`Additional Cost' has the meaning set forth in Section 14 of the Refunding Agreement.

`Bank Lender' has the meaning set forth in the Trust Indenture.

`Break Funding Amount' for any Bank Lender means the Swap Breakage Gain or Swap Breakage Loss, as the case may be, determined with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement, and, for all of the Bank Lenders, shall be the aggregate of the Break Funding Amounts determined for each of the Bank Lenders as provided in such Exhibit N.

`Certificate' has the meaning set forth in the Lease.

`Exempt Lender' means (a) a commercial banking institution that is organized under the laws of the United States or any State thereof or the District of Columbia or (b) a commercial banking institution that (i) is organized under the laws of Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway, Spain, Sweden, Switzerland or the United Kingdom and (ii) is and will, in the absence of a change in applicable United States federal tax laws after the date it acquires its Bank Equipment Notes, be entitled to a complete exemption from withholding of United States federal income taxes for all income derived by it from the transactions contemplated by the Operative Documents by reason of such income being effectively connected with the conduct of a trade or business within the United States, and that, in the case of either clause (a) or (b) above, is acting and will act for its own account and not as a conduit or agent for any other Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of the Refunding Agreement.

`Federal Aviation Act' or `Federal Aviation Act of 1958, as amended' has the meaning set forth in the Lease.

`Indenture Trustee' means the Loan Trustee (including any successor Loan Trustee) under the Trust Indenture.

`Initial Bank Lender' has the meaning set forth in the Refunding Agreement.

`Lender Liens' means Loan Participant Liens (as such term is defined in the Lease Agreement).

`Lending Office' has the meaning set forth in Section 14 of the Refunding Agreement.

`Loan Participant' has the meaning set forth in the Trust Indenture.

`Other Indentures' means and includes the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June 15, 1995, between Wilmington Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, and the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995, between Wilmington Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee.

`Outstanding' or `outstanding', when used with respect to any Bank Equipment Note, has the meaning set forth in the Trust Indenture.

`Pass Through Trust Agreement' means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`Pass Through Trust Documents' means the Pass Through Trust Agreement and the Pass Through Trust Supplements.

`Pass Through Trust Supplement' means Pass Through Trust Supplement No. 1, dated as of June 15, 1995, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`QIB' means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

`Refunding Agreement' means that certain Refunding Agreement (AA 1995 PTC Series AB) dated as of June 2, 1995, among the Lessee, the Owner Participant, the Lessor, the Initial Bank Lender, the Pass Through Trustee under each Pass Through Trust Supplement, the Original Loan Participant, the Indenture Trustee and the Loan Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`Refunding Date' has the meaning set forth in the Refunding Agreement.

`Regulatory Change' means, (a) with respect to the Initial Bank Lender, any change after the date of the Refunding Agreement, and (b) with respect to any Permitted Transferee, any change after the date such Permitted Transferee acquires its Bank Equipment Notes, in (i) in the case of a Permitted Transferee that is described in clause (a) of the definition of "Exempt Lender", United States Federal or state laws or regulations or (ii) in the case of the Initial Bank Lender or a Permitted Transferee that is described in clause (b) of the definition of "Exempt Lender", (x) United States Federal or state laws or regulations or (y) the laws or regulations of the country referred to in such clause (b) of such definition in which such Permitted Transferee is organized, as the case may be, or (iii) in the case of a Permitted Transferee that is a Treaty Lender, the laws or regulations of the Applicable Jurisdiction in which such Permitted Transferee is organized, or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including the Initial Bank Lender or such Permitted Transferee, of or under any United States Federal or state laws or regulations or the laws or regulations of any such applicable country (whether

or not having the force of law) by any court or government or monetary authority charged with the interpretation or administration thereof.

`Replacement Lender' has the meaning set forth in the Refunding Agreement.

`Section 20 Refinancing' means the refinancing under the Refunding Agreement."

`Swap Breakage Gain' means, as to any Bank Lender, the amount determined as such with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement.

`Swap Breakage Loss' means, as to any Bank Lender, the amount determined as such with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement.

`Swap Counterparty' has the meaning set forth in Exhibit N to the Refunding Agreement.

`Swap Participation' means, with respect to any Bank Lender, a risk participation or swap transaction in respect of the Swap Transaction between such Bank Lender and the Initial Bank Lender covering the amortizing principal amount of such Bank Lender's Bank Equipment Notes.

`Swap Transaction' has the meaning set forth in Exhibit N to the Refunding Agreement.

`Treaty Lender' means a commercial banking institution that (a) is organized under the laws of an Applicable Jurisdiction, (b) is and will, in the absence of a change in applicable law after the date it acquires its Bank Equipment Notes, be entitled to a complete exemption from United States federal income taxes for all income derived by it from the transactions contemplated by the Operative Documents under an income tax treaty between the United States and such Applicable Jurisdiction, (c) is engaged in the active conduct of a banking business in such Applicable Jurisdiction and holds its Bank Equipment Notes or Participation, as the case may be, in connection with such banking business, (d) is acting and will act for its own account and not as a conduit or agent for any other

Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of the Refunding Agreement and (e) in the case of a commercial banking institution whose Applicable Jurisdiction is France, would be entitled to the complete exemption described in clause (b) above under the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital signed August 31, 1994, should such treaty enter into force."

Section 15(a) is further amended by deleting the definitions of "Applicable Jurisdiction", "Indenture or Trust Indenture", "Permitted Transferee" and "Operative Documents" and replacing them with the following:

"`Applicable Jurisdiction' means Austria, France, Germany, Norway, The Netherlands or the United Kingdom.

`Indenture' or `Trust Indenture' shall have the meaning set forth in the Lease.

`Operative Documents' shall have the meaning set forth in the Lease.

`Permitted Transferee' means any Person that (a) is not a commercial air carrier; (b) is a QIB; (c) is either an Exempt Lender or a Treaty Lender; and (d) is acquiring one or more Bank Equipment Notes in an aggregate principal amount upon issuance of at least \$5,000,000."

(b) The definition of "Transaction Costs" in Section 15(a) is hereby amended by deleting the words "Section 18(a) hereof" and substituting therefor the words "the Lease".

(c) Section 15(c) is amended by deleting the words "to any party to this Agreement to its address or telex number set forth below the signature of such party at the foot of this Agreement" and substituting therefor the words "if to the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Loan Trustee, the Pass Through Trustee or the Initial Bank Lender, at their respective addresses or telex or facsimile numbers set forth below

the signatures of such parties at the foot of the Refunding Agreement".

10. AMENDMENT OF SECTION 16 OF THE PARTICIPATION AGREEMENT.

(a) Section 16(a) is amended by deleting it in its entirety and substituting therefor the following:

"(a) [Intentionally Omitted]".

(b) The second sentence of Section 16(b) is amended by deleting the words "each Loan Participant" and substituting therefor the words "the Pass Through Trustee and each Bank Lender"; and the third sentence of Section 16(b) of the Participation Agreement is deleted in its entirety.

(c) Clause (E) of Section 16(c)(i) is amended by inserting the words ", the Pass Through Trustee (unless the Lien of the Trust Indenture is discharged)" after the first parenthetical.

(d) Clause (F) of Section 16(c)(i) is amended by inserting the words ", the Pass Through Trustee (unless the Lien of the Trust Indenture is discharged)" after the first parenthetical.

11. AMENDMENT OF SECTION 17 OF THE PARTICIPATION AGREEMENT.

(a) Section 17 is amended in its entirety to read as follows:

"SECTION 17. Optional Redemption of Certificates. (a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Equipment Notes issued under the Trust Indenture or an optional redemption of all of the Equipment Notes of the same maturity and bearing the same interest rate, or held by the same Bank Lender, issued under the Trust Indenture pursuant to Section 6.01(b)(2) or (3) of the Trust Indenture (in each case, such term to include the Equipment Notes originally issued under the Trust Indenture and any refunding indebtedness pursuant to this Section 17) , as part of a refunding or refinancing operation. Promptly on receipt of such request, the Owner Participant will negotiate promptly in good faith to conclude an agreement with the Lessee

as to the terms of such refunding or refinancing operation and upon such agreement:

(i) the Lessee, the Owner Participant, the Loan Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 17, the "Refinancing Date") of United States dollar-denominated debt securities in an aggregate principal amount equal to the sum of the principal amount of the Equipment Notes to be redeemed, on the Refinancing Date, and, subject to clause (w) of Section 17(a)(ii), all interest accrued thereon to the Refinancing Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Equipment Notes on the Refinancing Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Refinancing Date is not a Lease Period Date, the Lessee shall on the Refinancing Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Equipment Notes then being redeemed on the Refinancing Date in the event that such interest is not financed through the issuance of debt securities on the Refinancing Date, (x) Basic Rent payable in respect of the period from and after the Refinancing Date shall be recalculated to preserve the Owner Participant's Revised Net Economic Return, (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Refinancing Date shall be appropriately recalculated to preserve the Owner Participant's Revised Net Economic Return, and (z) the Special Purchase

Price Percentage and the Special Purchase Option Date shall be recalculated as provided in Section 18;

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 17 in like manner as the Equipment Notes issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will materially increase the liabilities of or impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that (v) the Lessee shall not request that less than all of the Equipment Notes issued under the Trust Indenture be redeemed as part of a refunding operation hereunder unless it simultaneously requests that all the outstanding equipment notes held in the same Pass Through Trust or by the same Bank Lender issued under the Other Indentures be simultaneously redeemed, (w) there shall be no more than two such refundings or refinancings (not including the Section 20 Refinancing), (x) if within 15 days after receipt of a request from the Lessee to effect a refunding or refinancing pursuant to this Section 17, which request specifies the proposed structural terms and the amount thereof, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the refunding or refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from

the refunding or refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect such refunding or refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, a refinancing or refunding will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes, (y) no such refinancing or refunding shall require an increase in the amount of the Owner Participant's investment in the beneficial ownership of the Aircraft or shall cause the ratio of the newly issued debt to the Owner Participant's then outstanding investment in the Aircraft to be more than 4 to 1 and (z) except with respect to matters relating to taxes, no such refunding or refinancing will materially increase the liabilities of or impair the rights of the Owner Participant. In addition, neither the refunding or refinancing, nor any related adjustment of Basic Rent, shall increase or decrease the periodic earnings (as defined in Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board) of the Owner Participant for any calendar year in the period (if any) from the date of such refunding or refinancing to December 31, 1998 each by an amount greater than 10% of the amount of earnings expected for each such calendar year immediately prior to such refunding or refinancing.

"(b) The Equipment Notes, and any other debt instruments issued in connection with any refunding or refinancing operation permitted by this Section 17, shall not be subject to optional redemption by the Owner Trustee without the consent of the Lessee, except as provided in the Trust Indenture."

## 12. AMENDMENT OF SECTION 18 OF THE PARTICIPATION AGREEMENT.

(a) Paragraph (a) of Section 18 is amended in its entirety to read as follows:

"(a) Calculation of Adjustments. In the event that (A) the Transaction Costs are less or more than 1.0897% of Lessor's Cost, or (B) prior to the acceptance of the Aircraft on the Delivery Date: (1) there shall have occurred a Change in Tax Law and (2) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 of the Participation Agreement to decline to proceed with the transaction, or (C) a refinancing or refunding as contemplated by Section 17 hereof occurs, or (D) the Delivery Date is other than July 9, 1992, or (E) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (as defined in the Original Participation Agreement (after adjustment for any Excess Payment Differential Amount) (as defined in the Original Participation Agreement) is other than \$1,247,657.81 then, in each case, the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values, Termination Values and the Excess Payment Amount with respect to the Term (i) to preserve the Owner Participant's Revised Net Economic Return and (ii) to minimize, to the greatest extent possible, consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in the event of a refinancing or refunding referred to in clause (C) of the preceding sentence, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in a manner consistent with the procedures specified in Section 20(c) of the Original Participation Agreement. In performing any such recalculations, the Owner Participant shall utilize the same methods and assumptions used by the Owner Participant in the calculation of the schedules included in the Amended and Restated Rent Schedule dated as of the Refunding Date, as such assumptions may be changed as a result of the event described in clause (A), (B), (C), (D) or (E) of the second preceding sentence necessitating such recalculation or due to the prior occurrence of any such event; provided that, Basic Rent, as so recomputed, shall

comply with the requirements of Section 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

(b) Paragraph (b) of Section 18 is amended by deleting the words "Assumed Debt Rate" in each place they appear and substituting therefor the words "Average Certificate Rate".

13. DELETION OF SECTION 20 OF THE PARTICIPATION AGREEMENT. Section 20 is hereby deleted and the words "[Intentionally Omitted]" substituted therefor.

14. AMENDMENT OF SECTION 21 OF THE PARTICIPATION AGREEMENT.

(a) The penultimate sentence of Section 21(b) is amended by inserting at the end of the sentence "or (i) in the case of such enforcement against the Bank Lenders, by consent of Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes or (ii) to the extent required by the Indenture, with the consent of the Pass Through Trustee". Section 21(c) is amended by inserting the following sentence at the end thereof: "No purchaser or holder of any Equipment Note (including any Loan Participant) shall be deemed to be a successor or assign of any of the Original Loan Participants."

(b) Section 21 is hereby renumbered Section 22.

15. NEW SECTION 21 OF THE PARTICIPATION AGREEMENT. The following new Section 21 is added:

"Section 21. Successor Loan Trustee; Amendment of Pass Through Trust Documents. (a) In the event that the Loan Trustee gives notice of its resignation pursuant to Section 9.06(b) of the Trust Indenture, the Lessee may direct the Owner Trustee to appoint, and the Owner Trustee shall promptly appoint, a successor Loan Trustee.

(b) In the event that either the Owner Trustee or the Lessee obtains knowledge of the existence of any of the grounds for removal of the Loan Trustee set forth in Section 9.06 of the Trust Indenture, the Owner Trustee or the Lessee, as the case may be, shall promptly give notice (the "Removal Notice") to the other by telephone, confirmed in writing. Within five Business Days after the giving of the Removal Notice, the Lessee may direct the Owner Trustee to remove, and the Owner Trustee shall remove, the Loan Trustee and appoint a successor Loan Trustee, provided that, if within ten Business Days after the giving of the Removal Notice the Loan Trustee shall not have been removed, the Owner Trustee shall be deemed without further act to have delegated to the Lessee the right, on behalf of the Owner Trustee, to remove the Loan Trustee and appoint a successor, and, in the event of the removal of the Loan Trustee in accordance with such delegation, the Lessee agrees to appoint promptly a successor Loan Trustee.

(c) The Lessee shall not enter into any modification or amendment of any Pass Through Trust Document in any manner affecting the Pass Through Trusts created pursuant to the Pass Through Trust Supplements, without the consent of the Owner Participant, such consent not to be unreasonably withheld."

16. AMENDMENT OF SCHEDULE I TO THE PARTICIPATION AGREEMENT.

Schedule I is amended in its entirety as set forth in Schedule I to the Refunding Agreement (AA 1995 PTC Series AB).

[Included as Exhibit 4(d)(15)]

## Terms of Swap Transaction

(a) The Initial Bank Lender represents, warrants and covenants as of the Refunding Date that for all purposes of the Operative Documents, it has entered into an interest rate swap transaction (as the same may be assigned, in whole or in part, to any other Bank Lender as provided below, the "Swap Transaction") under a form of confirmation with a swap counterparty satisfactory to the Lessee (the "Swap Counterparty") governed by an ISDA Master Agreement (the "Swap Agreement") in the standard form thereof (the "Form") published in 1992 by, and incorporating by reference therein the definitions and provisions contained in the 1991 ISDA Definitions (the "Definitions") of, the International Swap Dealers Association, Inc. and having the economic terms set forth below in this Exhibit N. The Initial Bank Lender agrees that, in the event of any transfer of any Bank Equipment Notes to a Permitted Transferee pursuant to Section 10(e) of the Refunding Agreement, the Initial Bank Lender shall either (x) assign or cause to be assigned the portion of the Swap Transaction allocable to such Permitted Transferee's Bank Equipment Notes to such Permitted Transferee and shall obtain the consent of the Swap Counterparty to such assignment, it being agreed that no transfer, in whole or in part, of any such Bank Equipment Note to such Permitted Transferee shall be permitted under the Operative Documents unless such Permitted Transferee, prior to or concurrently with such transfer, shall enter into a confirmation with the Swap Counterparty conforming to the Swap Transaction in respect of such Permitted Transferee's Bank Equipment Notes or (y) extend, pursuant to arrangements reasonably satisfactory to the Lessee, the benefits of a pro rata share of the Swap Transaction with the Swap Counterparty to such Permitted Transferee as contemplated by the definition of "Swap Participation" set forth in the Refunding Agreement. The parties agree that, notwithstanding anything herein or in any Operative Document to the contrary, in the event that a Break Funding Amount is required to be calculated pursuant to this Exhibit N, notwithstanding any transfer from time to time of all or part of the Bank Equipment Notes issued on the Refunding Date, any such Break Funding Amount shall be calculated solely by reference to the economic terms set forth in this Exhibit N, and in no event shall the aggregate of such Break Funding Amounts for all Bank Lenders be calculated with respect to a Notional Amount (as such term is used in this Exhibit N) at the time greater than the outstanding aggregate principal amount of all of the Bank Equipment

Series AB

Notes subject to acceleration or being redeemed or purchased at such time. Each Bank Lender agrees that, except as provided below, it will not amend or terminate or permit to be terminated through its own action or inaction the Swap Transaction in respect of its Bank Equipment Notes in a manner that would have an adverse effect on the rights or interests of the Lessee without the prior written consent of the Lessee (such consent not to be unreasonably withheld).

(b) The Initial Bank Lender agrees, and each other Bank Lender, by becoming such, shall be deemed to have agreed, that the "Swap Breakage Gain" or "Swap Breakage Loss", with respect to any Bank Lender whose Bank Equipment Notes are redeemed (or purchased in lieu of redemption) or accelerated in circumstances under which Swap Breakage Loss or Swap Breakage Gain is incurred or received, as the case may be, by such Bank Lender, shall be determined as follows: such Bank Lender (or, in the case of a Swap Participation, the Initial Bank Lender acting on behalf of such Bank Lender) will use its best efforts to cause the Swap Counterparty to advise the Lessee and the Owner Trustee of the Market Quotation determined by such Swap Counterparty (such Swap Counterparty being the party making the determination of the Market Quotation for purposes of the definition of Market Quotation in the Swap Agreement) in connection with the termination of that portion of the Swap Transaction allocable to that portion of such Bank Lender's Secured Equipment Certificates then being so redeemed or so accelerated. If such Market Quotation is a negative number, the absolute value of the amount thereof shall be the Swap Breakage Gain attributable to such Bank Lender for all purposes of the Operative Documents; if such Market Quotation is a positive number, the amount thereof shall be the Swap Breakage Loss attributable to such Bank Lender for all purposes of the Operative Documents. Each Bank Lender acknowledges that the Lessee shall have the right to designate two of the Reference Market-makers to be used by the Swap Counterparty (such Reference Market-makers to be reasonably acceptable to the Swap Counterparty) in connection with the Swap Counterparty's determination of the Market Quotation for settlement of the Swap Transaction and agrees to use its best efforts to cause the Swap Counterparty to cooperate with the Lessee with respect to the provisions of this Exhibit N and to provide in a timely fashion such information as the Lessee may reasonably request to facilitate the quotation by such Reference Market-makers designated by the Lessee.

(c) The following terms are applicable to the Swap Transaction insofar as it is attributable to each Bank Lender:

1. Such Bank Lender shall be a Fixed Rate Payer;
2. The Notional Amount of that portion of the Swap Transaction attributable to such Bank Lender shall be an amortizing amount equal to the aggregate principal amount of such Bank Lender's Bank Equipment Notes (assuming each installment of principal of the Bank Equipment Notes required to be paid pursuant thereto is paid when due);
3. The Effective Date shall be the Refunding Date;
4. The Termination Date shall be January 2, 2010, as may be adjusted in accordance with the Modified Following Business Day convention;
5. The Payment Dates for the Floating Amount and the Fixed Amount shall be each Lease Period Date and, commencing on the first Lease Period Date to occur after the Refunding Date, and ending on the Termination Date, as may be adjusted in accordance with the Modified Following Business Day convention;
6. The Floating Rate Option shall be 6-month USD-LIBOR-BBA plus the Spread which shall be 80 basis points for calculation periods of six months, except for (i) the initial period commencing on the Effective Date and ending on the first Lease Period Date to occur after the Refunding Date and (ii) the final period commencing on the Lease Period Date immediately preceding the Termination Date and ending on the Termination Date;
7. The Fixed Rate Day Count Fraction shall be 30/360 (without any adjustment for Fixed Rate Period End Dates);
8. The Floating Rate Day Count Fraction shall be Actual/360;
9. The Fixed Rate shall be 7.53%.

10. In the event of a redemption (or purchase in lieu of redemption) of any of the Bank Equipment Notes held by such Bank Lender or an acceleration of such Secured Equipment Certificates upon an Indenture Event of Default, the portion of the Swap Transaction allocable to such Holder shall be subject to termination. In the event of a transfer of such Bank Lender's Bank Equipment Notes pursuant to Section 14(b) of the Refunding Agreement, the portion of the Swap Transaction allocable to such Bank Lender shall be subject to full termination in the event that the Replacement Bank Lender(s) does not either assume its proportionate share of the Swap Transaction or assume or enter into a Swap Participation as provided in such Section 14(b);
11. Business Days shall be New York, New York, London, England, the city and state in which the principal corporate trust office of the Owner Trustee is located (currently Wilmington, Delaware), the city and state in which the principal corporate trust office of the Loan Trustee is located (currently Boston, Massachusetts) and the city and state in which the Loan Trustee disburses funds (currently Boston, Massachusetts).

REFUNDING AGREEMENT  
(AA 1995 PTC Series AC)

Dated as of June 2, 1995

Among

AMERICAN AIRLINES, INC.,  
as Lessee

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T CREDIT CORPORATION),  
as Owner Participant

WILMINGTON TRUST COMPANY,  
as Owner Trustee

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Pass Through Trustee under the Pass Through  
Trust Agreement and one or more separate Pass  
Through Trust Supplements

CIBC INC.,  
as Original Loan Participant

THE MITSUBISHI TRUST AND BANKING CORPORATION,  
NEW YORK BRANCH,  
as Initial Bank Lender

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION,  
as Indenture Trustee

And

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,  
NATIONAL ASSOCIATION,  
as Loan Trustee

One Boeing 767-323ER Aircraft  
N376AN

Leased to American Airlines, Inc.

Series AC

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(AA 1995 PTC Series AC)

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REFUNDING AGREEMENT  
(AA 1995 PTC SERIES AC)

This REFUNDING AGREEMENT (AA 1995 PTC Series AC), dated June 2, 1995, among (i) AMERICAN AIRLINES, INC., a Delaware corporation (the "Lessee"), (ii) AT&T CREDIT HOLDINGS, INC. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant"), (iii) WILMINGTON TRUST COMPANY, a Delaware banking corporation, not in its individual capacity except as otherwise expressly provided herein, but solely as trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 AF-3), dated as of August 1, 1992, between the Owner Participant and the Owner Trustee, (iv) STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association ("State Street"), not in its individual capacity except as otherwise provided herein, but solely as trustee (in such capacity, the "Pass Through Trustee") under the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between the Lessee and the Pass Through Trustee (the "Pass Through Trust Agreement") and one or more separate Pass Through Trust Supplements (each, a "Pass Through Trust Supplement"), each to be dated the Refunding Date (as defined herein), to be entered into between the Lessee and the Pass Through Trustee pursuant to the Pass Through Trust Agreement, (v) CIBC INC., the "Original Loan Participant", (vi) THE MITSUBISHI TRUST AND BANKING CORPORATION, NEW YORK BRANCH (the "Initial Bank Lender"), (vii) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION, a national banking association, as Indenture Trustee (the "Indenture Trustee") under that certain Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of August 1, 1992, between the Owner Trustee and the Indenture Trustee (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-3), dated as of August 11, 1992, the "Original Indenture"), and (viii) STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, a national banking association, as successor trustee to the Indenture Trustee pursuant to the Instrument of Resignation (as defined herein) and under that certain Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC), dated as of June 15, 1995, between the Owner Trustee and State Street (in such capacity, the "Loan Trustee").

Series AC

## W I T N E S S E T H :

WHEREAS, the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee and the Original Loan Participant entered into a Participation Agreement (AA 1992 AF-3), dated as of August 1, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N376AN and Manufacturer's Serial Number 25445 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement:

(i) the Owner Participant and the Owner Trustee in its individual capacity entered into a Trust Agreement (AA 1992 AF-3), dated as of August 1, 1992 (such Trust Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-3), dated as of August 11, 1992, the "Original Trust Agreement"), pursuant to which the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1.01 of the Original Trust Agreement for the benefit of the Owner Participant thereunder;

(ii) the Owner Trustee and the Indenture Trustee entered into a Trust Indenture and Security Agreement (AA 1992 AF-3), dated as of August 1, 1992 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-3), dated as of August 11, 1992, the "Original Indenture"), pursuant to which the Owner Trustee issued to CIBC INC. (the "Original Loan Participant") a certificate substantially in the form set forth in Article 2.01 of the Original Indenture (the "Original Loan Certificates") as evidence of its participation in the payment of Lessor's Cost (as such term and other capitalized terms used herein without definition are defined in the Participation Agreement (as defined in Section 7 hereof) including, for purposes of this Refunding Agreement, those terms defined in the Amendment to Participation Agreement set forth as Exhibit L hereto, or, if not defined therein, as defined in the Original Lease (as defined in clause (iii) below) including, for purposes of this Refunding Agreement, those terms defined in the form of First Amendment to Lease Agreement set forth as Exhibit C-1 hereto);

(iii) the Owner Trustee and the Lessee entered into a Lease Agreement (AA 1992 AF-3), dated as of August 1, 1992, relating to the Aircraft (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 AF-3), dated August 11, 1992, the "Original Lease"), pursuant to which, subject to the terms and conditions set forth therein, the Owner Trustee agreed to lease to the Lessee, and the Lessee agreed to lease from the Owner Trustee, the Aircraft on its Delivery Date;

(iv) the Owner Trustee, the Lessee, the Owner Participant and the Indenture Trustee entered into a Rent Schedule (AA 1992 AF-3), dated as of August 1, 1992, relating to the Original Lease (the "Original Rent Schedule"); and

(v) the Owner Participant and the Lessee entered into a Tax Indemnity Agreement (AA 1992 AF-3), dated as of August 1, 1992, relating to the Aircraft (the "Original Tax Indemnity Agreement");

WHEREAS, pursuant to the Instrument of Resignation, Appointment and Acceptance, to be dated as of the Refunding Date (the "Instrument of Resignation"), among the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee and the Original Loan Participant, the Indenture Trustee will resign under the Original Indenture, and the Initial Bank Lender, the Pass Through Trustee, the Lessee and the Owner Trustee will accept such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee under the Original Indenture;

WHEREAS, State Street Bank and Trust Company, a Massachusetts banking corporation, of which the Loan Trustee is a wholly-owned subsidiary, will enter into a guarantee, to be dated as of the Refunding Date (the "State Street Guarantee") for the benefit of, among others, the holders from time to time of the Equipment Notes (as defined below), substantially in the form of Exhibit A hereto with respect to certain obligations of the Loan Trustee;

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement:

(i) the Owner Trustee and the Owner Participant will enter into the First Amendment to Trust Agreement (AA 1995 PTC Series AC)(the "Trust Agreement Amendment"; the Original Trust Agreement, as so amended, the

"Trust Agreement") in substantially the form of Exhibit M hereto;

(ii) the Owner Participant and the Lessee will enter into the First Amendment to Tax Indemnity Agreement (AA 1995 PTC Series AC) (the "Tax Indemnity Agreement Amendment"; the Original Tax Indemnity Agreement, as so amended, the "Tax Indemnity Agreement"), amending the Original Tax Indemnity Agreement;

(iii) subject to the terms hereof, the Owner Trustee and the Loan Trustee will amend and restate the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AC) (the "Amended and Restated Indenture" or the "Indenture"), in substantially the form of Exhibit B hereto, for the benefit of the holder or holders of the Equipment Notes (as defined below), under which Indenture the Owner Trustee shall issue (a) equipment notes substantially in the form of Exhibit A to the Indenture to the Pass Through Trustee (as further defined in the Amended and Restated Indenture, being herein collectively called the "Pass Through Equipment Notes" and individually a "Pass Through Equipment Note"), and (b) equipment notes substantially in the form of Exhibit A-1 to the Indenture (as further defined in the Amended and Restated Indenture, being herein collectively called the "Bank Equipment Notes" and individually a "Bank Equipment Note") to the Initial Bank Lender (as further defined in the Amended and Restated Indenture, the Pass Through Equipment Notes together with the Bank Equipment Notes being herein collectively called the "Equipment Notes");

WHEREAS, Section 20 of the Original Participation Agreement contemplates redemption of the Original Loan Certificates pursuant to Section 2.12 of the Original Indenture as part of a refunding or refinancing operation, and Section 3(e) of the Original Lease contemplates the adjustment of Rent in the event of such a refunding or refinancing operation, and the Lessee has given its written notice to the Owner Participant and Owner Trustee pursuant to such Section 20 of the Lessee's desire to implement such a refunding or refinancing operation;

WHEREAS, pursuant to the Pass Through Trust Supplements, on the Refunding Date (as defined in Section 1 below) one or more grantor trusts (herein being collectively called the "Grantor Trusts" and individually a "Grantor

Trust") will be created to facilitate a portion of the transactions contemplated hereby;

WHEREAS, the proceeds from the sale of the Pass Through Certificates will be applied to purchase the Pass Through Equipment Notes from the Owner Trustee;

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement, the Owner Trustee and the Lessee will enter into the First Amendment to the Original Lease in substantially the form of Exhibit C-1 hereto (the "Lease Amendment"; the Original Lease, as so amended, the "Lease"), containing amendments, modifications and additions necessary to give effect to the transactions described herein; and

WHEREAS, in connection with the consummation of the transactions contemplated by this Agreement, subject to the terms hereof, the Owner Trustee, the Lessee, the Owner Participant, the Indenture Trustee and the Loan Trustee will amend and restate the Original Rent Schedule as the Amended and Restated Rent Schedule (AA 1995 AF-3) (redesignated as AA 1995 Series AC), dated as of June 15, 1995 (the "Amended and Restated Rent Schedule"), in substantially the form of Exhibit C-2 hereto;

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

SECTION 1. PURCHASE OF EQUIPMENT NOTES; REFUNDING. (a) Subject to the satisfaction or waiver of the conditions set forth herein, at 9:00 a.m. New York City time on June 15, 1995 or at such other date and time, not later than July 31, 1995 as shall be specified by the Lessee (the "Refunding Date"), (i) immediately prior to the Closing (as hereinafter defined), if the Refunding Date is other than a Lease Period Date, the Lessee shall pay to the Owner Trustee as a prepayment of Basic Rent an amount equal to the interest accrued and unpaid on the Original Loan Certificates to the Refunding Date (such payment to be made directly to the Loan Trustee in accordance with Section 3(d) of the Lease), (ii) if the Refunding Date is a date other than the last day of an Interest Period (as defined in the Original Indenture) the Lessee shall also pay to the Owner Trustee, as Supplemental Rent, the Break Amount (as defined in the Original Indenture), if any (such payment to be made directly to the Loan Trustee in accordance with Section 3(d)

of the Lease), (iii) the Initial Bank Lender shall direct State Street, as trustee under Section 15 hereof with respect to the Deposit (as defined in such Section 15), to pay to the Loan Trustee on behalf of the Owner Trustee the aggregate purchase price of the Bank Equipment Notes being issued to it as set forth in clause (vii) of this Section 1(a), (iv) the Pass Through Trustee for each Grantor Trust shall pay to the Loan Trustee on behalf of the Owner Trustee the aggregate purchase price of the Pass Through Equipment Notes being issued to it as set forth in clause (vii) of this Section 1(a), (v) subject to the deposit with the Loan Trustee of the amounts referred to in clauses (i) through (iv) above, the Owner Trustee shall direct the Loan Trustee to disburse to the Original Loan Participant an amount equal to the then outstanding principal amount of all Original Loan Certificates outstanding on the Refunding Date together with accrued and unpaid interest on such Original Loan Certificates to the Refunding Date and Break Amount, if any, as a prepayment of such Original Loan Certificates in accordance with Section 2.12 of the Original Indenture, (vi) the Original Loan Participant shall, against receipt of payment for its Original Loan Certificates as aforesaid, deliver to the Loan Trustee all of its Original Loan Certificates for cancellation, and (vii) simultaneously with the prepayment of the Original Loan Certificates described in clause (v) above, (A) the Original Loan Participant shall authorize, and the Owner Trustee and the Loan Trustee shall enter into, the Amended and Restated Indenture as provided in Section 5, (B) the Owner Participant and the Owner Trustee shall enter into the Trust Agreement Amendment as provided in Section 8, (C) the Owner Trustee and the Lessee shall enter into the Lease Amendment as provided in Section 6, and (D) the Owner Trustee shall issue, pursuant to Article II of the Indenture and Section 2 hereof, to the Initial Bank Lender and the Pass Through Trustee for the Grantor Trusts the Bank Equipment Notes and the Pass Through Equipment Notes, respectively, to be purchased by it hereunder.

(b) The Owner Participant, by its execution and delivery hereof, requests and directs the Owner Trustee to execute and deliver this Agreement and, subject to the terms hereof, to take the actions contemplated herein.

(c) Each of the Original Loan Participant, the Initial Bank Lender and the Pass Through Trustee, by its execution and delivery hereof, authorizes the Loan Trustee to act for its benefit as contemplated in this Agreement and requests and directs the Loan Trustee to execute and deliver this Agreement and the Amended and Restated Indenture and,

subject to the terms hereof and thereof, to take the actions contemplated herein and therein.

(d) In case the Initial Bank Lender or the Pass Through Trustee shall for any reason fail to purchase the Equipment Notes to be purchased by it pursuant to Section 1(a) above, the written notice given by the Lessee pursuant to Section 20 of the Original Participation Agreement shall be deemed never to have been given, neither the Owner Trustee nor the Lessee shall have any obligation to pay to the Original Loan Participant any amount in respect of the prepayment of the Loan Certificates, the Original Loan Certificates shall remain outstanding and in full force and effect, and the actions contemplated by Sections 5, 6, 7 and 8 hereof shall not take place.

(e) The closing (the "Closing") of the transactions described in this Agreement shall take place at the offices of Debevoise & Plimpton, 875 Third Avenue, New York, New York 10022, on the Refunding Date, or at such other place as the parties hereto may agree.

(f) All payments pursuant to this Section 1 shall be made in immediately available funds to such accounts and at such banks as the parties hereto shall designate in writing not less than one Business Day prior to the Refunding Date.

(g) Subject to the terms and conditions hereof, in order to facilitate a portion of the refinancing by the Owner Trustee of the Original Loan Certificates contemplated hereby, the Lessee intends to enter into an underwriting agreement, to be dated on or prior to the Refunding Date, among the Lessee and one or more underwriters (the "Underwriters") named therein (the "Underwriting Agreement"); and the Lessee will enter into the Pass Through Trust Supplements as the "issuer," as defined in and solely for purposes of the Securities Act of 1933, as amended (the "Securities Act"), of the Pass Through Certificates being issued thereunder, and as the "obligor," as defined in and solely for purposes of the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), with respect to such Pass Through Certificates and will undertake to perform certain administrative and ministerial duties under such Pass Through Trust Supplements.

SECTION 2. EQUIPMENT NOTES. (a) The aggregate principal amount of the Equipment Notes shall be \$54,172,610.88. Set forth on Schedule II hereto are

indicative principal amounts and amortization schedules for the Pass Through Equipment Notes and the Bank Equipment Notes, calculated assuming that the Pass Through Equipment Notes will bear interest at the rate of 8.60% per annum, and the Bank Equipment Notes will bear interest at the rate of 7.53% per annum. The parties acknowledge that the principal amounts and amortization schedules of the Pass Through Equipment Notes and the Bank Equipment Notes are subject to change prior to the Refunding Date, and that the final principal amounts and amortization schedules of the Pass Through Equipment Notes and the Bank Equipment Notes will be determined, subject to the terms of this Refunding Agreement, based upon the actual interest rates to be borne by the Pass Through Equipment Notes and the Bank Equipment Notes and the resulting recalculation of the figures on the Exhibits to the Amended and Restated Rent Schedule contemplated by Section 6 hereof.

(b) Subject to the terms hereof, the Pass Through Equipment Notes will bear interest at the rate, mature on the date, and be payable as to principal in the amounts, to be specified in the Underwriting Agreement.

(c) In addition to the conditions precedent to the obligations of the Initial Bank Lender set forth in Section 3, the obligations of the Initial Bank Lender to purchase the Bank Equipment Notes as contemplated hereby shall be subject to the additional condition precedent that, notwithstanding the recalculations referred to in Section 2(a), the Bank Equipment Notes shall have the following terms: (i) the sum of (A) the aggregate principal amount of the Bank Equipment Notes plus (B) the aggregate principal amount of the bank equipment notes to be issued pursuant to the Amended and Restated Trust Indentures and Security Agreements (AA 1995 PTC Series AA) and (AA 1995 PTC Series AB) (the "Other Indentures"), each dated as of June 15, 1995, shall not exceed \$115,000,000; (ii) the final maturity date of the Bank Equipment Notes shall not extend beyond January 2, 2011; (iii) the weighted average life to maturity of the Bank Equipment Notes from the Refunding Date (calculated in accordance with standard financial practice) shall not exceed 11 years; (iv) the actual principal amount, amortization schedule and fixed interest rate borne by the Bank Equipment Notes shall be irrevocably set on the date on which the Initial Bank Lender enters into the Swap; and (v) the fixed interest rate to be borne by the Bank Equipment Notes (such rate to be satisfactory to the Lessee) shall be equal to the fixed interest rate payable by the Initial Bank Lender in the Swap (as defined below). For purposes of this

Section 2, the term "Swap" shall refer to a Swap Transaction having the terms and characteristics described in Exhibit N (or such other terms and characteristics as shall be approved by the Lessee) to be entered into by the Initial Bank Lender prior to the Refunding Date pursuant to which the Initial Bank Lender will receive floating rate payments, calculated and payable as contemplated by such Exhibit N, equal to 6 month USD-LIBOR-BBA plus a spread of 80 basis points. The Initial Bank Lender agrees to enter into the Swap, based on a notional principal amount specified by the Lessee (subject to clauses (i), (ii) and (iii) of the proviso to the second preceding sentence), on a date to be designated by the Lessee not less than four Business Days prior to the Refunding Date. In the event that the terms of the Swap actually entered into by the Initial Bank Lender vary, with the Lessee's approval as provided above, from those described in Exhibit N, Exhibit N shall be modified to reflect such different terms, and Exhibit N, as so modified, shall thereupon constitute Exhibit N to this Refunding Agreement for all purposes of this Refunding Agreement and the other Operative Documents.

(d) The Equipment Notes shall be payable as to principal in accordance with the terms of the Indenture, and the Equipment Notes of each maturity shall provide for a fixed rate of interest per annum and shall contain the terms and provisions provided for the Equipment Notes of such maturity in the Indenture. The Owner Trustee shall execute, and the Loan Trustee shall authenticate and deliver to the Initial Bank Lender and the Pass Through Trustee for each Grantor Trust, a principal amount of Equipment Notes of the maturity and interest rate and in the principal amounts, all as determined in accordance with the provisions of this Refunding Agreement. Subject to the terms hereof and of the other Operative Documents, all such Equipment Notes shall be dated and authenticated as of the Refunding Date and shall bear interest therefrom, shall be registered in the name of the Initial Bank Lender and in such names as shall be specified by the Pass Through Trustee, and shall be paid in the manner and at such places as are set forth in the Indenture.

SECTION 3. CONDITIONS PRECEDENT. The obligation of the Initial Bank Lender to direct State Street to make the payment described in Section 1(a)(iii), the obligation of the Pass Through Trustee to make the payment described in Section 1(a)(iv), and the obligations of the Owner Trustee and the Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date are subject to the fulfillment, prior to or on the Refunding

Date, of the following conditions precedent (except that paragraphs (f) and (l) shall not be conditions precedent to the obligations of the Owner Trustee hereunder; paragraphs (g) and (n) shall not be conditions precedent to the obligations of the Owner Participant hereunder; and paragraphs (a) (to the extent such paragraph (a) applies to the Pass Through Trustee), (p) and (q) (to the extent such paragraph (q) applies to the Pass Through Trustee) shall not be conditions precedent to the obligations of the Initial Bank Lender hereunder):

(a) The Owner Trustee shall have tendered to the Loan Trustee for authentication the Equipment Notes issued to effect the refunding contemplated by Section 1 hereof, and the Loan Trustee shall have authenticated such Equipment Notes and shall have tendered the Bank Equipment Notes included in such Equipment Notes to the Initial Bank Lender and the Pass Through Equipment Notes included in such Equipment Notes to the Pass Through Trustee in accordance with Section 2.

(b) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received executed counterparts or conformed copies of the following documents:

- (1) the Original Lease and the Lease Amendment;
- (2) the Original Rent Schedule and, subject to Section 6, the Amended and Restated Rent Schedule;
- (3) the Original Trust Agreement and the Trust Agreement Amendment;
- (4) the Indenture;
- (5) the Purchase Agreement Assignment;
- (6) the Original Participation Agreement and this Agreement;
- (7) the Pass Through Trust Supplements and the Pass Through Trust Agreement (collectively, the "Pass Through Trust Documents") (for the Pass Through Trustee, the Owner Trustee and the Owner Participant only);

(8) the Instrument of Resignation;

(9) the Tax Indemnity Agreement Amendment (for the Owner Participant only); and

(10) the State Street Guarantee.

(c) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received the following:

(1) an incumbency certificate of the Lessee as to the person or persons authorized to execute and deliver this Agreement, the Lease Amendment and any other documents to be executed on behalf of the Lessee in connection with the transactions contemplated hereby and the signatures of such person or persons;

(2) a copy of the resolutions of the board of directors of the Lessee or the executive committee thereof, certified by the Secretary or an Assistant Secretary of the Lessee, duly authorizing the transactions contemplated hereby and the execution and delivery of each of the documents required to be executed and delivered on behalf of the Lessee in connection with the transactions contemplated hereby; and

(3) a copy of the certificate of incorporation of the Lessee certified by the Secretary of State of the State of Delaware, a copy of the By-Laws of the Lessee, certified by the Secretary or an Assistant Secretary of the Lessee, and a telegram or other evidence from the Secretary of the State of the State of Delaware as to the good standing of the Lessee.

(d) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Lessee, dated the Refunding Date, certifying that:

(1) the Aircraft has been duly certified by the Federal Aviation Administration as to type and airworthiness in accordance with the terms of the Original Lease and has a current, valid certificate of airworthiness;

(2) the FAA Bill of Sale, the Original Lease and the Original Indenture have been duly recorded, and the Original Trust Agreement has been duly filed, with the FAA pursuant to the Federal Aviation Act;

(3) the Aircraft has been registered with the Federal Aviation Administration in the name of the Owner Trustee and the Lessee has authority to operate the Aircraft;

(4) the representations and warranties contained herein of the Lessee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date); and

(5) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both, and no Event of Loss has occurred and is continuing.

(e) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Loan Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Loan Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(f) The Initial Bank Lender, the Pass Through Trustee and the Owner Participant each shall have received a certificate signed by an authorized officer of the Owner Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(g) The Initial Bank Lender, the Pass Through Trustee and the Owner Trustee each shall have received a certificate signed by an authorized officer of the Owner Participant, dated the Refunding Date, certifying that the representations and warranties contained herein of the Owner Participant are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties were correct on and as of such earlier date).

(h) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an independent insurance broker's report, together with certificates of insurance from such broker, as to the due compliance with the terms of Section 11 of the Lease relating to insurance with respect to the Aircraft.

(i) The Initial Bank Lender and the Pass Through Trustee shall have received copies of all Uniform Commercial Code financing statements covering the security interests created by or pursuant to the Granting Clause of the Original Indenture and all Uniform Commercial Code financing statements describing the Lease as a lease and any continuation statements relating thereto.

(j) (A) A UCC-1 financing statement covering the security interests created by the Original Indenture naming the Owner Trustee, as debtor, and the Indenture Trustee, as secured party, shall have been duly filed with the Secretary of State of the State of Delaware, (B) an amendment (including an assignment) to such Uniform Commercial Code financing statement with respect to the replacement of the Indenture Trustee and the amendment of the Original Indenture shall have been executed and delivered by the Owner Trustee, as debtor, the Indenture Trustee, as secured party, and the Loan Trustee, as assignee of the secured party, and such financing statement amendment shall have been positioned for filing and, upon Closing, promptly filed with the Secretary of State of the State of Delaware, (C) a UCC-1 financing statement covering the security interests created by the Amended and Restated Indenture naming the Owner Trustee, as debtor, and the Loan Trustee, as secured party, shall have been duly filed with the Secretary of State of the State of Delaware,

and (D) an amendment (including an assignment) to the Uniform Commercial Code financing statement describing the Lease as a lease shall have been executed and delivered by the Indenture Trustee, the Loan Trustee and the Lessee, and such financing statement amendment shall have been positioned for filing and, upon Closing, promptly filed with the Secretary of State of the State of Texas.

(k) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Debevoise & Plimpton, special counsel for the Lessee, substantially in the form of Exhibit D hereto, and an opinion addressed to it from Anne H. McNamara, Esq., Senior Vice President and General Counsel of the Lessee, substantially in the form of Exhibit E hereto.

(l) The Initial Bank Lender, the Pass Through Trustee and the Owner Participant each shall have received an opinion addressed to it from Potter Anderson & Corroon, special counsel for the Owner Trustee, substantially in the form of Exhibit F hereto.

(m) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Bingham, Dana & Gould, special counsel for the Loan Trustee, substantially in the form of Exhibit G hereto.

(n) The Initial Bank Lender, the Pass Through Trustee and the Owner Trustee each shall have received an opinion addressed to it from Sidley & Austin, special counsel for the Owner Participant, substantially in the form of Exhibit H hereto, and an opinion addressed to it from Louis B. Fontana, Jr. counsel of the Owner Participant, substantially in the form of Exhibit I hereto.

(o) The Initial Bank Lender, the Pass Through Trustee, the Owner Trustee and the Owner Participant each shall have received an opinion addressed to it from Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, substantially in the form of Exhibit J hereto.

(p) The Lessee shall have entered into the Underwriting Agreement and the Pass Through Trust Supplements, the Pass Through Certificates shall have been issued and sold pursuant to the Underwriting Agreement and the Pass Through Trust Supplements, and the Underwriters shall have transferred to the Pass Through Trustee in immediately available funds an amount equal to the aggregate purchase price of the Pass Through Equipment Notes to be purchased from the Owner Trustee.

(q) No change shall have occurred after the date of this Agreement in applicable law or regulations thereunder or interpretations thereof by appropriate regulatory authorities or any court that would make it illegal for the Initial Bank Lender or the Pass Through Trustee to make the payments described in Section 1(a) or for the Owner Trustee or Owner Participant to participate in the transactions contemplated by this Agreement on the Refunding Date.

(r) All approvals and consents of any trustee or holder of any indebtedness or obligations of the Lessee which are required in connection with the Initial Bank Lender's or the Pass Through Trustee's making of the payments described in Section 1(a) or the Owner Trustee's or Owner Participant's participation in the transactions contemplated by this Agreement on the Refunding Date shall have been duly obtained.

Promptly following the recording of the Instrument of Resignation, the Lease Amendment and the Amended and Restated Indenture pursuant to the Federal Aviation Act and the filing of the Trust Agreement Amendment pursuant to such Act, the Lessee will cause Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, to deliver to the Initial Bank Lender, the Pass Through Trustee, the Lessee, the Loan Trustee, the Owner Participant and the Owner Trustee an opinion as to the due recording of the Instrument of Resignation, the Lease Amendment and the Indenture.

SECTION 4. CONDITIONS PRECEDENT TO THE OBLIGATIONS OF THE LESSEE; CONDITIONS PRECEDENT WITH RESPECT TO THE PASS THROUGH TRUSTEE. (a) The Lessee's obligation to participate in the transactions contemplated by this Agreement and to execute and deliver the Lease Amendment are subject to (i) the interest rates, principal amounts and amortization schedules of the Bank Equipment Notes and the Pass Through Equipment Notes being satisfactory to the Lessee, (ii) the fulfillment prior to or on the Refunding Date,

of the conditions precedent listed in subsection (a), (b), clauses (1) through (3) of subsection (d), and subsections (e), (f), (g), (j), (q) and (r) of Section 3 with respect to the other parties hereto and (iii) the receipt by the Lessee (and the Loan Trustee in the case of the forms referred to in clause (C) hereof) of (A) each certificate referred to in subsections (e), (f) and (g) of Section 3, (B) each opinion referred to in subsections (l) through (o) of Section 3, addressed to the Lessee or accompanied by a letter from counsel rendering such opinion authorizing the Lessee to rely on such opinion as if it were addressed to the Lessee, (C) two valid executed copies of Internal Revenue Service Form 4224 from the Initial Bank Lender, (D) a certificate of the Initial Bank Lender certifying that, to the best of its knowledge, the Initial Bank Lender is not then entitled to indemnification for any amounts described in Section 14(a) hereof or 7(c) of the Participation Agreement and that the Initial Bank Lender shall not become, by reason of any Regulatory Change then effective or likely in its best judgment to become effective, entitled to any such amount described in Section 14(a) hereof or 7(c) of the Participation Agreement, and (E) such other documents and evidence with respect to each other party hereto as the Lessee may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

(b) The respective obligations of each of the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee to participate in the transactions contemplated hereby is subject to the receipt by each of them of (i) a certificate signed by an authorized officer of the Pass Through Trustee, dated the Refunding Date, certifying that the representations and warranties contained herein of the Pass Through Trustee are correct as though made on and as of the Refunding Date, except to the extent that such representations and warranties relate solely to an earlier date (in which case such representations and warranties are correct on and as of such earlier date), (ii) an opinion addressed to each of them of Bingham, Dana & Gould, special counsel for the Pass Through Trustee, substantially in the form of Exhibit K hereto, and (iii) such other documents and evidence with respect to the Pass Through Trustee as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

SECTION 5. SUCCESSOR TRUSTEE; EXECUTION AND DELIVERY OF THE NEW INDENTURE. The Original Loan Participant, the Owner Trustee and the Lessee hereby waive notice of the resignation of the Indenture Trustee pursuant to the Instrument of Resignation. Each of the Original Loan Participant, Lessee, Pass Through Trustee and Owner Trustee agrees that, notwithstanding the provisions of Section 8.02 of the Original Indenture, the Loan Trustee is an acceptable successor to the Indenture Trustee and the provisions of Section 8.02(b) of the Original Indenture are hereby waived by the Original Loan Participant, the Owner Trustee, the Indenture Trustee and the Loan Trustee. The Original Loan Participant and the Owner Participant, by execution and delivery hereof, request and direct the Owner Trustee and the Loan Trustee to execute and deliver the Indenture, and the Owner Trustee and the Loan Trustee agree to execute and deliver the Indenture (the Indenture to be executed and delivered to include a completed Exhibit B setting forth the interest rates, principal amounts and amortization schedules of the Equipment Notes determined as contemplated by Section 2 hereof). The Lessee, by execution and delivery hereof, consents to such execution and delivery of the Indenture. The Initial Bank Lender, by execution and delivery hereof, consents to the Indenture. The Indenture shall be effective as of the Closing.

SECTION 6. AMENDMENT OF THE ORIGINAL LEASE AND AMENDMENT AND RESTATEMENT OF THE ORIGINAL RENT SCHEDULE. The Loan Trustee and the Owner Participant, by execution and delivery hereof, request and instruct the Owner Trustee to execute and deliver the Lease Amendment and the Amended and Restated Rent Schedule; the Original Loan Participant, by execution and delivery hereof, requests and instructs the Indenture Trustee to execute and deliver the Amended and Restated Rent Schedule; the Owner Trustee and the Lessee agree to execute and deliver the Lease Amendment, and the Owner Trustee, the Loan Trustee, the Indenture Trustee, the Owner Participant and the Lessee agree to execute and deliver the Amended and Restated Rent Schedule. The Initial Bank Lender, by execution and delivery hereof, consents to the Lease Amendment and the Amended and Restated Rent Schedule. The Lease Amendment and the Amended and Restated Rent Schedule shall be effective as of the Closing. Notwithstanding the foregoing, the parties hereto acknowledge that the figures on Exhibits A, B and C to the Amended and Restated Rent Schedule, as well as certain other financial data included in Sections 6 and 8 of the Amended and Restated Rent Schedule, will be recalculated prior to the Refunding Date, utilizing the same methods and assumptions originally used

to calculate the Exhibits and financial data included in the form of Amended and Restated Rent Schedule attached to and made a part of this Refunding Agreement on the date hereof (and subject to the verification provisions of the last paragraph of Section 20(c) of the Original Participation Agreement), to reflect solely (i) the actual Refunding Date, (ii) any change agreed to by the Owner Participant and the Lessee in the Transaction Costs pricing assumption reflected in Section 3(e) of the form of Lease Amendment attached as Exhibit C-1 hereto and Section 18(a) of the Amendment to Participation Agreement attached as Exhibit L hereto (such Sections 3(e) and 18(a) to be modified to reflect any such agreed change), and (iii) the actual interest rates to be borne by the Pass Through Equipment Notes and the Bank Equipment Notes, with all other factors and assumptions reflected in such figures and financial data remaining unchanged; provided that Basic Rent for any Lease Period or portion thereof occurring during the period from the Refunding Date to the third anniversary of the Base Lease Commencement Date shall be recalculated on the basis of the average daily equivalent rent for such Lease Period or portion thereof. The Owner Participant and the Lessee will cooperate in effecting such revisions to the Amended and Restated Rent Schedule and will provide the Owner Trustee, the Loan Trustee, the Pass Through Trustee and the Initial Bank Lender with a copy of the revised version no later than four Business Days prior to the Refunding Date.

SECTION 7. AMENDMENT OF THE PARTICIPATION AGREEMENT.

Effective upon the Closing, the parties hereto agree that, without further act, the Original Participation Agreement shall be amended as set forth in Exhibit L hereto (such Original Participation Agreement, as so amended, the "Participation Agreement"), and the Initial Bank Lender, the Pass Through Trustee and the Loan Trustee shall be deemed to be parties thereto from and after the Closing to the extent set forth in such Exhibit L. Except as so amended hereby, the Original Participation Agreement (including without limitation Section 14 thereof) shall remain in full force and effect.

SECTION 8. AMENDMENT OF THE TRUST AGREEMENT.

The Owner Participant, by execution and delivery hereof, requests and instructs the Owner Trustee to execute and deliver the Trust Agreement Amendment; the Owner Trustee and the Owner Participant, by execution and delivery hereof, agree (subject to the terms of this Agreement) to execute and deliver the Trust Agreement Amendment. The Initial Bank Lender, by execution and delivery hereof, consents to the

terms of the Trust Agreement Amendment. The Trust Agreement Amendment shall be effective as of the Refunding Date.

SECTION 9. LESSEE'S REPRESENTATIONS AND WARRANTIES. The Lessee represents and warrants that:

(a) the Lessee is a corporation duly incorporated and validly existing in good standing under the laws of the State of Delaware; the Lessee is an "air carrier" within the meaning of 49 U.S.C. Section 40102(a); the Lessee holds a certificate of public convenience and necessity in accordance with 49 U.S.C. Section 41102, and an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of the United States Code for aircraft capable of carrying 10 or more individuals or 6,000 pounds or more of cargo; the Lessee is a "citizen of the United States" as defined in 49 U.S.C. Section 40102; the Lessee has the corporate power and authority to own or hold under lease its properties, has (or had or will have on the respective dates of execution thereof) the corporate power and authority to enter into this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents and the other Operative Documents to which it is or will be a party, has the corporate power and authority to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, and is duly qualified to do business as a foreign corporation in good standing in each state in which it has intrastate routes or has a principal office or a major overhaul facility, and its chief executive office (as such term is used in Article 9 of the Uniform Commercial Code in effect in the State of Texas) is located in Fort Worth, Texas;

(b) the execution and delivery by the Lessee of this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, and the performance of this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents and each other Operative Document to which it is or will be a party, have been duly authorized by all necessary corporate action on the part of the Lessee, do not require any stockholder approval, or approval or consent of any trustee or holder of any indebtedness or

obligations of the Lessee, except such as have been duly obtained and are in full force and effect, and do not contravene any law, governmental rule, regulation or order binding on the Lessee or the Certificate of Incorporation or By-Laws of the Lessee or contravene the provisions of, or constitute a default under, or result in the creation of any Lien (other than Permitted Liens) upon the property of the Lessee under, any indenture, mortgage, contract or other agreement to which the Lessee is a party or by which it may be bound or affected;

(c) neither the execution and delivery by the Lessee of this Agreement, the Tax Indemnity Agreement Amendment, the Lease Amendment, the Pass Through Trust Documents or any other Operative Document to which it is or will be a party, nor the performance of its obligations hereunder or under the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents or the Other Operative Documents to which it is or will be a party, nor the consummation by the Lessee of any of the transactions contemplated hereby or thereby, requires the further consent or approval of, the further giving of notice to, the further registration with, or the further taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, or any other Federal, state or foreign governmental authority having jurisdiction, other than (i) the registration of the issuance and sale of the Pass Through Certificates, Series 1995-A (the "Pass Through Certificates"), to be issued pursuant to the provisions of the Pass Through Trust Documents, under the Securities Act, which registration shall have been accomplished by the Refunding Date, and under the securities laws of any state in which the Pass Through Certificates may be offered for sale if the laws of such state require such action, (ii) the qualification of the Pass Through Trust Documents under the Trust Indenture, which qualification shall have been obtained by the Refunding Date pursuant to an order of the Securities and Exchange Commission, (iii) the registrations and filings referred to in Section 9(h), (iv) the filing of those certain Uniform Commercial Code financing statements and amendments to Uniform Commercial Code financing statements referred to in Section 3(j), and (v) such action, as a result of any act or omission by the Initial Bank Lender or any of its affiliates, as may be required under the United States federal securities

laws or the securities or other laws of any state thereof applicable to sales of securities;

(d) each of this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Lease, the Original Rent Schedule, the Pass Through Trust Documents and each other Operative Document to which the Lessee is a party constitutes, and each of the Participation Agreement when the Closing has occurred and the Tax Indemnity Agreement, the Amended and Restated Rent Schedule and the Lease when the Tax Indemnity Agreement Amendment, the Amended and Restated Rent Schedule and the Lease Amendment shall have been entered into will constitute, the legal, valid and binding obligations of the Lessee enforceable against the Lessee in accordance with their respective terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and except, in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not make the remedies provided in the Lease inadequate for practical realization of the rights and benefits provided thereby;

(e) as of the date of this Refunding Agreement there are no pending or, to the Lessee's knowledge, threatened actions or proceedings before any court or administrative agency or arbitrator which would materially adversely affect the ability of the Lessee to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Pass Through Trust Documents or any of the other Operative Documents to which it is a party or by which it is bound;

(f) the Lessee and its subsidiaries have filed or caused to be filed all Federal, state, local and foreign tax returns which are required to be filed and have paid or caused to be paid all taxes shown to be due and payable on such returns or (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) on any assessment received by the Lessee or any of its subsidiaries, to the extent that such taxes have become due and payable; the Federal income tax liability, if any, of the Lessee has been determined by the Internal Revenue Service (or the statute of limitations has expired

with respect to a redetermination of such liability and no waiver or extension of such statute of limitations has been granted or consented to by the Lessee or by any court or tribunal) and (except to the extent being contested in good faith and for the payment of which adequate reserves have been provided) paid for all years prior to and including the fiscal year ended December 31, 1984; the Federal income tax returns of the Lessee for the fiscal years ended December 31, 1985 to December 31, 1994, inclusive, are subject to examination by the Internal Revenue Service;

(g) (i) the audited consolidated balance sheet of the Lessee and its subsidiaries as of the end of each of its last three fiscal years, and the related consolidated statements of operations and cash flows for the three fiscal years then ended (copies of which have been furnished to the Initial Bank Lender and the Pass Through Trustee), fairly present the consolidated financial position of the Lessee and its consolidated subsidiaries as at the end of each such fiscal year and the consolidated results of their operations and cash flows for each such fiscal year in accordance with generally accepted accounting principles applied on a consistent basis (except as may be noted in such financial statements); and (ii) from December 31, 1994 to the date of this Refunding Agreement, there has been no material adverse change in such consolidated financial condition of the Lessee and its consolidated subsidiaries, taken as a whole;

(h) except for the filings contemplated by Section 3(j) hereof, the filing of the Trust Agreement Amendment pursuant to the Federal Aviation Act and the filing for recording pursuant to such Act of the Indenture, the Instrument of Resignation and the Lease Amendment, no further filing or recording of any document (including any financing statement in respect thereof under Article 9 of the Uniform Commercial Code of any applicable jurisdiction) is necessary under the laws of the United States of America or any State thereof in order to perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties, or to perfect the security interest in favor of the Loan Trustee in the Owner Trustee's interest in the Aircraft or the Lease (with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to 49 U.S.C. Section 44107) in any applicable juris-

diction in the United States (other than the filing of continuation statements with respect to the Uniform Commercial Code financing statements referred to in Section 3(j) hereof);

(i) neither the Lessee nor any Person authorized to act on its behalf (it being agreed that no Bank Lender is authorized to act on its behalf) has (1) directly or indirectly offered any interest in the Trust Estate or any similar interest for sale to, or solicited any offer to acquire the same from, any Person other than the Owner Participant and not more than 35 other institutional investors, (2) directly or indirectly offered any Bank Equipment Notes being sold, purchased or delivered pursuant to this Agreement or any similar interest for sale to, or solicited any offer to acquire the same from, any Person other than the Initial Bank Lender and not more than 35 other institutional investors, or (3) directly or indirectly offered the Pass Through Certificates for sale to any Person other than in a manner required by the Securities Act and by the rules and regulations thereunder;

(j) the Lessee is not an investment company or a company controlled by an investment company within the meaning of the Investment Company Act of 1940, as amended; and

(k) no event has occurred and is continuing which constitutes an Event of Default or would constitute an Event of Default but for the requirement that notice be given or time elapse or both, and no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the lapse of time.

SECTION 10. REPRESENTATIONS, WARRANTIES AND COVENANTS. (a)

The Loan Trustee represents, warrants and covenants that:

(1) the Loan Trustee is a national banking association duly organized and validly existing and in good standing under the laws of the United States, is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 and will resign as Loan Trustee promptly after it obtains actual knowledge that it has ceased to be such a citizen, and has the full corporate power, authority and legal right under the laws of the State of Connecticut and the United States pertaining to its

banking, trust and fiduciary powers to execute and deliver each of this Agreement, the Indenture and each other Operative Document to which it is or will be a party and the Instrument of Resignation and to carry out its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Document to which it is or will be a party;

(2) the execution and delivery by the Loan Trustee of this Agreement, the Indenture, each other Operative Document to which it is or will be a party and the Instrument of Resignation and the performance by the Loan Trustee of its obligations under this Agreement, the Participation Agreement, the Indenture and each other Operative Document to which it is or will be a party have been duly authorized by the Loan Trustee and will not violate its articles of association or by-laws or the provisions of any indenture, mortgage, contract or other agreement to which it is a party or by which it is bound; and

(3) this Agreement constitutes, and the Participation Agreement, when the Closing has occurred, and the Indenture, the Instrument of Resignation and the Amended and Restated Rent Schedule, when executed and delivered by the Loan Trustee, will constitute, the legal, valid and binding obligations of the Loan Trustee enforceable against it in accordance with their respective terms.

(b) The Owner Trustee, in its individual capacity (except with respect to clauses (3) and (4) below) and (but only with respect to clauses (3), (4) and, to the extent that it relates to the Owner Trustee, clause (9)) as Owner Trustee, represents and warrants that:

(1) the Owner Trustee, in its individual capacity, is a banking corporation duly organized and validly existing in good standing under the laws of the State of Delaware, has full corporate power and authority to carry on its business as now conducted and has (or had or will have on the respective dates of execution thereof), the corporate power and authority to execute and deliver the Trust Agreement and the Trust Agreement Amendment, has the corporate power and authority to carry out the terms of the Trust Agreement, has (or had or will have on the respective dates of execution thereof) (assuming the authorization, execution and delivery of the Trust Agreement and the Trust

Agreement Amendment by the Owner Participant), as Owner Trustee, and to the extent expressly provided herein or therein, in its individual capacity, the corporate power and authority to execute and deliver this Agreement, the Original Indenture, the Indenture, the Equipment Notes, the Lease Amendment, the Amended and Restated Rent Schedule and each other Operative Document (other than the Trust Agreement) to which it is or will be a party and has the corporate power and authority to carry out the terms of this Agreement, the Participation Agreement, the Lease, the Indenture, the Equipment Notes and each other Operative Document (other than the Trust Agreement) to which it is or will be a party;

(2) the Owner Trustee in its trust capacity and, to the extent expressly provided therein, in its individual capacity, has or will have duly authorized, executed and delivered the Original Trust Agreement and the Trust Agreement Amendment, and (assuming the due authorization, execution and delivery of the Original Trust Agreement and Trust Agreement Amendment by the Owner Participant) each of this Agreement, the Original Participation Agreement, the Original Trust Agreement, the Original Indenture, the Original Lease and each other Operative Document, in each case solely to the extent entered into by the Owner Trustee in its individual capacity and the Trust Agreement constitutes, a legal, valid and binding obligation of the Owner Trustee, in its individual capacity, enforceable against it in its individual capacity, in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(3) assuming the due authorization, execution and delivery of the Original Trust Agreement and the Trust Agreement Amendment by the Owner Participant, each of this Agreement, the Original Participation Agreement, the Original Indenture, the Original Lease, and each other Operative Document to which it is or will be party, constitutes, and each of the Participation Agreement, when the Closing has occurred, the Indenture, when entered into, the Lease, the Lease Amendment, when entered into, and the Amended and Restated Rent Schedule, when entered into, will constitute, the legal, valid and binding obligation of the Owner Trustee, in its individual capacity or as Owner Trustee, as

the case may be, enforceable against it in its individual capacity or as Owner Trustee, as the case may be, in accordance with its terms except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity;

(4) assuming the due authorization, execution and delivery of the Original Trust Agreement and the Trust Agreement Amendment by the Owner Participant, the Owner Trustee has duly authorized or will have duly authorized by the Refunding Date, and on the Refunding Date shall have duly issued, executed and delivered to the Loan Trustee for authentication, the Equipment Notes pursuant to the terms and provisions hereof and of the Indenture, and each Equipment Note on the Refunding Date will constitute the valid and binding obligation of the Owner Trustee and will be entitled to the benefits and security afforded by the Indenture in accordance with the terms of such Equipment Note and the Indenture;

(5) neither the execution and delivery by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of this Agreement, the Original Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Indenture, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Purchase Agreement Assignment or the Equipment Notes, nor the consummation by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or thereby, nor the compliance by the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, with any of the terms and provisions hereof and thereof, (A) requires or will require any approval of its stockholders, or approval or consent of any trustees or holders of any indebtedness or obligations of it, or (B) violates or will violate its certificate of incorporation or by-laws, or contravenes or will contravene any provision of, or constitutes or will constitute a default under, or results or will result in any breach of, or results or will result in the creation of any Lien (other than as permitted under the Lease) upon its property under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sale contract, bank

loan or credit agreement, license or other agreement or instrument to which it is a party or by which it is bound, or contravenes or will contravene any law, governmental rule or regulation of the United States of America or the State of Delaware governing the trust powers of the Owner Trustee, or any judgment or order applicable to or binding on it;

(6) no consent, approval, order or authorization of, giving of notice to, or registration with, or taking of any other action in respect of, any Delaware State or local governmental authority or agency or any United States federal governmental authority or agency regulating the trust powers of the Owner Trustee in its individual capacity is required for the execution and delivery of, or the carrying out by, the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, of any of the transactions contemplated hereby or by the Trust Agreement, the Participation Agreement, the Indenture, the Lease, the Amended and Restated Rent Schedule, the Purchase Agreement Assignment or the Equipment Notes, other than any such consent, approval, order, authorization, registration, notice or action as has been duly obtained, given or taken;

(7) there exists no Lessor's Lien attributable to the Owner Trustee, in its individual capacity;

(8) there are no Taxes payable by the Owner Trustee, either in its individual capacity or as Owner Trustee, imposed by the State of Delaware or any political subdivision thereof in connection with the redemption of the Loan Certificates or the issuance of the Equipment Notes or the execution and delivery by the Owner Trustee in its individual capacity of the Original Trust Agreement, and in its individual capacity or as Owner Trustee, as the case may be, of any of the instruments referred to in clauses (1), (2) and (4) above, that, in each case, would not have been imposed if the Trust Estate had not been created pursuant to the laws of the State of Delaware and Wilmington Trust Company had not (a) been incorporated under the laws of, (b) had its principal place of business in, (c) performed (in its individual capacity or as Owner Trustee) any or all of its duties under the Operative Documents in, and (d) engaged in any activities unrelated to the transactions contemplated by the Operative Documents in, the State of Delaware;

(9) there are no pending or threatened actions or proceedings against the Owner Trustee, either in its individual capacity or as Owner Trustee, before any court or administrative agency which, if determined adversely to it, would materially adversely affect the ability of the Owner Trustee, in its individual capacity or as Owner Trustee, as the case may be, to perform its obligations under any of the instruments referred to in clauses (1), (2), (4) and (5) above;

(10) both its chief executive office, and the place where its records concerning the Aircraft and all its interests in, to and under all documents relating to the Trust Estate, are located in Wilmington, Delaware, and the Owner Trustee, in its individual capacity, agrees to give the Lessee, the Owner Participant, the Loan Trustee and the Pass Through Trustee at least 30 days' prior written notice of any relocation of said chief executive office or said place from its present location;

(11) the Owner Trustee in its individual capacity or as Owner Trustee has not directly or indirectly offered any Equipment Note or Pass Through Certificate or any interest in or to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone other than the Pass Through Trustee, the Original Loan Participant, the Initial Bank Lender and the Owner Participant; and the Owner Trustee has not authorized anyone to act on its behalf (it being understood that in arranging and proposing the refinancing contemplated hereby and agreed to herein by the Owner Trustee, the Lessee has not acted as agent of the Owner Trustee) to offer directly or indirectly any Equipment Note, any Pass Through Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or to solicit any offer to acquire any of the same from, any person; and

(12) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or voting powers agreement).

(c) The Owner Participant represents and warrants that:

(1) it is a corporation duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its present business and operations and to own or lease its properties, has, or had or will have at the time of its execution, the corporate power and authority to enter into this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement, the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule, and has the corporate power and authority to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Trust Agreement and the Amended and Restated Rent Schedule; and this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement and the Original Rent Schedule have been duly authorized, executed and delivered by it, and the execution and delivery of the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule has been or will be duly authorized by it; and each of this Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Original Trust Agreement and the Original Rent Schedule constitutes, and each of the Participation Agreement, when the Closing has occurred, and the Tax Indemnity Agreement, the Trust Agreement and the Amended and Restated Rent Schedule, when the Tax Indemnity Agreement Amendment, the Trust Agreement Amendment and the Amended and Restated Rent Schedule shall have been entered into will constitute, the legal, valid and binding obligations of the Owner Participant enforceable against it in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general principles of equity;

(2) neither (a) the execution and delivery by the Owner Participant of this Agreement, the Tax Indemnity Agreement Amendment, the Participation Agreement, the Trust Agreement Amendment, the Amended and Restated Rent Schedule or any other Operative Document to which it is or will become a party nor (b) compliance by it with all of the provisions thereof, (1) will contravene any law or order of any court or governmental authority or agency applicable to or binding on the Owner Par-

ticipant (it being understood that no representation or warranty is made with respect to laws, rules or regulations relating to aviation or to the nature of the equipment owned by the Owner Trustee other than such laws, rules or regulations relating to the citizenship requirements of the Owner Participant under applicable law), or (2) will contravene the provisions of, or constitutes or has constituted or will constitute a default under, its articles of incorporation or by-laws or any indenture, mortgage, contract or other agreement or instrument to which the Owner Participant is a party or by which it or any of its property may be bound or affected;

(3) no authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body (other than as required by the Federal Aviation Act or the regulations promulgated thereunder and except for routine insurance regulatory filings which have been or will be made) is or was required, as the case may be, for the due execution, delivery or performance by it of this Agreement, the Participation Agreement, the Tax Indemnity Agreement Amendment, the Tax Indemnity Agreement, the Trust Agreement Amendment, the Trust Agreement and the Amended and Restated Rent Schedule;

(4) there are no pending or, to the knowledge of the Owner Participant, threatened actions or proceedings before any court or administrative agency or arbitrator which would materially adversely affect the Owner Participant's ability to perform its obligations under this Agreement, the Participation Agreement, the Tax Indemnity Agreement and the Trust Agreement;

(5) neither the Owner Participant nor anyone authorized by it to act on its behalf (it being understood that in arranging and proposing the refinancing contemplated hereby and agreed to herein by the Owner Participant, the Lessee has not acted as agent of the Owner Participant) has directly or indirectly offered any Equipment Note or Pass Through Certificate or any interest in and to the Trust Estate, the Trust Agreement or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone; the Owner Participant's interest in the Trust Estate and the Trust Agreement was acquired for its own account and was purchased for investment and not with a view to any resale or distribution thereof;

(6) on the Refunding Date, the Trust Estate shall be free of Lessor's Liens attributable to the Owner Participant; and

(7) it is a "citizen of the United States" as defined in 49 U.S.C. Section 40102 (without making use of a voting trust agreement or a voting powers agreement).

(d) The Initial Bank Lender as of the date hereof and as of the Refunding Date, and each other Bank Lender as of the date such Bank Lender acquires its Bank Equipment Notes, hereby represents, warrants and covenants to the Owner Participant, the Owner Trustee, the Loan Trustee, the Pass Through Trustee and the Lessee that:

(i) (A) such Bank Lender is acquiring its Bank Equipment Notes for its own account and not with a view to the resale or distribution thereof, provided that the disposition of its property shall at all times be and remain within its control; (B) such Bank Lender acknowledges and agrees that the Bank Equipment Notes were initially offered in a transaction not involving any public offering within the meaning of the Securities Act, and that the Bank Equipment Notes have not been and will not be registered under the Securities Act and are subject to the restrictions on their transfer set forth therein and in this Refunding Agreement; (C) such Bank Lender shall not engage in a transfer, resale or distribution of the Bank Equipment Notes, or sell any participation and/or otherwise transfer or assign all or any portion of its rights, obligations or interests in respect of any of the Bank Equipment Notes, or make any offer in respect of any of the foregoing, under circumstances which would violate any securities or similar laws or require registration under the Securities Act, or qualification of the Indenture under the Trust Indenture Act; and (D) such Bank Lender has not acquired and shall not acquire any Pass Through Equipment Notes or Pass Through Certificates;

(ii) no part of the funds to be used by such Bank Lender to acquire its Bank Equipment Notes constitutes any assets of any "employee benefit plan" (as defined in Section 3(3) of the Employee Retirement Security Act of 1974, as amended) or "plan" (as defined in Section 4975(e) of the Code);

(iii) such Bank Lender other than a Replacement Lender is a QIB and is described in one of the following clauses (A) through (C):

(A) such Bank Lender (i) is, and as long as it is a Bank Lender will be, (x) a United States branch or agency of a commercial banking institution or (y) a Cayman Islands branch or agency of a commercial banking institution having a United States branch or agency, such commercial banking institution in each case to be duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; (ii) is, and as long as it is a Bank Lender will be, described in clause (b) of the definition of "Exempt Lender"; (iii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender with Internal Revenue Service Forms 4224 or any successor forms thereto with respect to each fiscal year of such Bank Lender during which it holds Bank Equipment Notes together with such other forms or documentation as may be necessary, to establish available exemptions from Taxes imposed by the United States on payments under any Operative Document, such Forms and other forms or documentation to be provided on or before the date on which it becomes a Bank Lender and from time to time thereafter on a timely basis so that such Forms or other forms or documentation are effective for all periods during which it is a Bank Lender; (iv) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (v) will promptly notify the Lessee, the Owner Participant and the Loan Trustee if any such

Forms or other forms or documentation are or become inaccurate; and (vi) has full power, authority and legal right to execute, deliver and carry out the terms of each of the Operative Documents to which it is or will be a party or by which it is or will be bound; or

(B) such Bank Lender (i) is, and as long as it is a Bank Lender will be, a commercial banking institution duly organized, validly existing and in good standing under the laws of the United States of America or any state thereof or the District of Columbia; (ii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender from time to time on a timely basis with any other forms or documentation as may be necessary to establish available exemptions from the withholding of Taxes imposed by the United States on payments under the Operative Documents; (iii) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (iv) will promptly notify the Lessee, the Owner Participant and the Loan Trustee if any of such Certificates, statements, forms or documentation is or becomes inaccurate; and (v) has full power, authority and legal right to execute, deliver and carry out the terms of each of the Operative Documents to which it is or will be a party or by which it is or will be bound; or

(C) such Bank Lender (i) is, and as long as it is a Bank Lender will be, a commercial banking institution duly organized, validly existing and in good standing under the laws of the juris-

diction of its incorporation; (ii) is, and as long as it is a Bank Lender will be, in the absence of a change in applicable law after the date it acquires its Bank Equipment Notes, a Treaty Lender; (iii) shall provide the Lessee, the Owner Participant and the Loan Trustee on behalf of such Bank Lender with valid executed copies of Internal Revenue Service Forms 1001 or any successor forms thereto covering all amounts receivable by it under the Operative Documents, together with such other forms or documentation as may be necessary, to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such Forms 1001 and other forms and documentation to be provided on or before the date on which it becomes a Bank Lender and from time to time thereafter on a timely basis so that such Forms or other forms or documentation are effective for all periods during which it is a Bank Lender; (iv) will provide the Lessee, the Owner Participant and the Loan Trustee on behalf of each participant, if any, to which it sells a Participation (as defined in Section 10(e) hereof) other than a participation in which the participant does not become the beneficial owner of an interest in any Bank Equipment Note for United States federal income tax purposes with such forms or documentation as may be necessary to establish available exemptions from Taxes imposed by the United States on payments under the Operative Documents, such forms or documentation to be provided on or before the date on which such participant becomes a participant and from time to time thereafter on a timely basis so that such forms or documentation are effective for all periods during which such participant is a participant; (v) will promptly notify the Lessee, the Owner Participant and the Loan Trustee if any such Certificates, Forms or other forms or documentation are or become inaccurate; and (vi) has full power, authority and legal right to execute, deliver and carry out the terms of the Operative Documents to which it is or will be a party or by which it is or will be bound;

(iv) such Bank Lender will not directly or indirectly create, incur, assume or suffer to exist any Lender Liens on or against any part of the Indenture Estate or the Trust Estate arising out of any act or

omission of or claim against such Bank Lender, and each Bank Lender severally agrees that it will, at its own cost and expense, promptly take such action as may be necessary to discharge and satisfy in full any such Lender Lien; and each Bank Lender severally hereby agrees to indemnify, protect, defend and hold harmless Lessee, the Owner Participant, the Owner Trustee, the Loan Trustee and any other Bank Lender against Claims (as defined in Section 7(b) of the Participation Agreement) in any way resulting from or arising out of a breach by such Bank Lender of its obligations under this Section 10(d)(iv);

(v) such Bank Lender will not impose, directly or indirectly, any lifting charge, cable charge, remittance charge, or any other charge or fee on any transfer of funds to, through or by such Bank Lender or the Loan Trustee pursuant to any Operative Document; and

(vi) such Bank Lender is acting and will act for its own account and not as a conduit or agent for any other Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of this Refunding Agreement.

(e) Except to the extent provided in Section 14(b) of this Refunding Agreement, each Bank Lender may sell, assign, pledge or otherwise transfer all or any of its Bank Equipment Notes to a Permitted Transferee (and only to a Permitted Transferee), provided that no Bank Lender shall grant participations (any such participation, a "Participation") in any of its Bank Equipment Notes except in accordance with Section 10(f) hereof and provided, further, that, except in connection with a transfer pursuant to Section 14(b) of this Refunding Agreement, (i) any Permitted Transferee to which a Bank Lender sells, transfers or assigns all or any of its Bank Equipment Notes (any such Permitted Transferee, an "Assignee") delivers a certificate to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee in form and substance satisfactory to the Lessee setting forth representations and warranties comparable to those set forth in Section 10(d) hereof appropriate to such Assignee, and an agreement by such Assignee in form and substance satisfactory to the Lessee to be bound by the terms relating to the Bank Lenders under the Operative Documents, no later than the effective date of such transfer, (ii) the Bank Lender effecting such transfer provides to the Lessee, the Owner Participant, the Owner Trustee and the

Loan Trustee notice, setting forth the name and address of such Assignee and identifies those of such Bank Lender's Bank Equipment Notes being sold, transferred or assigned to such Assignee, no later than the effective date of such transfer, (iii) such transfer complies with Section 2.04 of the Indenture and (iv) such Assignee represents and warrants to the Lessee, the Owner Participant, the Owner Trustee and the Loan Trustee that, immediately after giving effect to such transfer, such Assignee shall not be entitled to indemnification for any amounts described in Section 14(a) of this Refunding Agreement or Section 7(c) of the Participation Agreement and shall not become, by reason of any Regulatory Change then effective or likely in its best judgment to become effective, entitled to any such amount described in Section 14(a) of this Refunding Agreement or Section 7(c) of the Participation Agreement. Each Bank Lender hereby agrees that (A) any such sale, assignment, pledge, transfer or Participation, and any offer to make any such sale, assignment, pledge, transfer or Participation, shall be made in accordance with this Section 10 and with all applicable laws, including without limitation the Securities Act, the Trust Indenture Act, and any other applicable laws relating to the transfers of similar interests; (B) any such sale, assignment, pledge, transfer or Participation, and any offer to make any such sale, assignment, pledge, transfer or Participation, prior to the first anniversary of the Refunding Date shall be made only to a Permitted Transferee that is a Treaty Lender and in compliance with Regulation S under the Securities Act; and (C) no such sale, assignment, pledge, transfer or Participation shall be made under circumstances that require registration under the Securities Act or qualification of an indenture under the Trust Indenture Act.

Upon any such Assignment, the Owner Trustee, the Loan Trustee, the Owner Participant and/or the Lessee shall be entitled to receive from the assigning Bank Lender or any other party effecting such assignment the reasonable expenses of the Owner Trustee, the Loan Trustee, the Owner Participant and the Lessee incurred in effecting such Assignment. Upon any such Assignment, such Assignee shall be deemed a party to this Agreement and any other Operative Document to which the Initial Bank Lender was a party.

(f) A Bank Lender may sell or agree to sell to one or more other Persons that is a Permitted Transferee a Participation in all or any of its Bank Equipment Notes in accordance with Section 10(e) hereof, but no such participant shall have any other rights or benefits as against the

Owner Trustee, the Lessee, the Owner Participant or the Indenture Estate or Trust Estate under any Operative Document. All amounts payable by the Lessee to any Bank Lender under Section 14(a) of this Refunding Agreement or Section 7(b) or 7(c) of the Participation Agreement shall be determined as if such Bank Lender had not sold or agreed to sell any Participation in its Bank Equipment Notes. Notwithstanding any such Participation, (i) such Bank Lender's obligations under the Operative Documents shall remain unchanged, (ii) such Bank Lender shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (iii) the other parties to this Refunding Agreement, the Participation Agreement and the other Operative Documents shall continue to deal solely and directly with such Bank Lender in connection with such Bank Lender's Bank Equipment Notes and such Bank Lender's rights and obligations under the Operative Documents. In no event shall any Bank Lender that sells a Participation be obligated to the participant under the participation agreement governing the Participation to take or refrain from taking any action hereunder or under any of the Operative Documents except that such Bank Lender may agree in such participation agreement that it will not, without the consent of the participant, agree to any of the matters specified for each Bank Lender to approve in Sections 11.02 and 11.06 of the Indenture; and such Bank Lender shall be solely responsible for any withholding or other taxes and any filing or reporting requirements relating to such Participation and shall hold the Lessee and the Loan Trustee harmless against the same.

(g) The Pass Through Trustee represents, warrants and covenants that:

(1) the Pass Through Trustee is a national banking association duly organized and validly existing in good standing under the laws of the United States of America, and has the full corporate power, authority and legal right under the laws of the State of Connecticut and the United States pertaining to its banking, trust and fiduciary powers to execute and deliver each of the Pass Through Trust Documents and this Agreement and to perform its obligations under this Agreement, the Pass Through Trust Documents and the Participation Agreement;

(2) each of the Pass Through Trust Documents and this Agreement has been or will have been duly authorized, executed and delivered by the Pass Through Trustee; this Agreement, each of the Pass Through Trust Documents and the Participation Agreement constitute or will constitute the legal, valid and binding obligations of the Pass Through Trustee enforceable against it in accordance with their respective terms;

(3) none of the execution, delivery and performance by the Pass Through Trustee of each of the Pass Through Trust Documents, this Agreement and the Participation Agreement, the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to this Agreement, and the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents, contravene any law, rule or regulation of the State of Connecticut or any United States governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers or any judgment or order applicable to or binding on the Pass Through Trustee and do not contravene or result in any breach of, or constitute a default under, the Pass Through Trustee's Articles of Association or By-Laws or any agreement or instrument to which the Pass Through Trustee is a party or by which it or any of its properties may be bound;

(4) neither the execution and delivery by the Pass Through Trustee of any of the Pass Through Trust Documents or this Agreement nor the consummation by the Pass Through Trustee of any of the transactions contemplated hereby or thereby or by the Participation Agreement requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action with respect to, any Connecticut governmental authority or agency or any Federal governmental authority or agency regulating the Pass Through Trustee's banking, trust or fiduciary powers;

(5) there are no Taxes payable by the Pass Through Trustee imposed by the State of Connecticut or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Pass Through Trustee of this Agreement, any of the Pass Through Trust Documents or the Participation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services ren-

dered in connection with the transactions contemplated by any of the Pass Through Trust Documents), and there are no Taxes payable by the Pass Through Trustee imposed by the State of Connecticut or any political subdivision thereof in connection with the acquisition, possession or ownership by the Pass Through Trustee of any of the Equipment Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents) and, assuming that the trusts created by the Pass Through Trust Supplements will not be taxable for Federal income tax purposes as corporations, but, rather, each will be characterized as a grantor trust under subpart E, Part I of Subchapter J of the Code, such trusts will not be subject to any Taxes imposed by the State of Connecticut or any political subdivision thereof;

(6) there are no Taxes payable by the Pass Through Trustee imposed by the Commonwealth of Massachusetts or any political subdivision or taxing authority thereof in connection with the execution, delivery and performance by the Pass Through Trustee of this Agreement, any of the Pass Through Trust Documents or the Participation Agreement (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents), and there are no Taxes payable by the Pass Through Trustee imposed by the Commonwealth of Massachusetts or any political subdivision thereof in connection with the acquisition, possession or ownership by the Pass Through Trustee of any of the Equipment Notes (other than franchise or other taxes based on or measured by any fees or compensation received by the Pass Through Trustee for services rendered in connection with the transactions contemplated by any of the Pass Through Trust Documents) and, assuming that the trusts created by the Pass Through Trust Supplements will not be taxable for federal income tax purposes as corporations, but, rather, each will be characterized as a grantor trust under subpart E, Part I of Subchapter J of the Code, such trusts will not be subject to any Taxes imposed by the Commonwealth of Massachusetts or any political subdivision thereof;

(7) there are no pending or threatened actions or proceedings against the Pass Through Trustee before any court or administrative agency which individually or in the aggregate, if determined adversely to it, would materially adversely affect the ability of the Pass Through Trustee to perform its obligations under this Agreement, the Participation Agreement or any Pass Through Trust Document;

(8) except for the issue and sale of the Pass Through Certificates contemplated hereby, the Pass Through Trustee has not directly or indirectly offered any Pass Through Equipment Note for sale to any Person or solicited any offer to acquire any Equipment Notes from any Person, nor has the Pass Through Trustee authorized anyone to act on its behalf to offer directly or indirectly any Equipment Note for sale to any Person, or to solicit any offer to acquire any Equipment Note from any Person; and the Pass Through Trustee is not in default under any Pass Through Trust Document; and

(9) the Pass Through Trustee is not directly or indirectly controlling, controlled by or under common control with the Owner Participant, the Owner Trustee, any Underwriter or the Lessee.

(h) The Original Loan Participant represents and warrants

that:

(1) as of the Refunding Date it is the owner of an Original Loan Certificate in the aggregate principal amount of \$54,172,610.88 free and clear of Liens attributable to it; and

(2) this Agreement has been duly authorized, executed and delivered by the Original Loan Participant and constitutes the legal, valid and binding obligation of the Original Loan Participant, enforceable against the Original Loan Participant in accordance with its terms, except as such enforceability may be limited by application of bankruptcy, insolvency, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity.

(i) The Indenture Trustee represents and warrants that this Agreement has been duly authorized, executed and delivered by it.

SECTION 11. NOTICES. Unless otherwise specifically provided herein, all notices required or permitted by the terms of this Agreement shall be in English and in writing, and any such notice shall become effective upon being deposited in the United States mail, with proper postage for first-class registered or certified mail prepaid, or when delivered personally or, if promptly confirmed by mail as provided above, when dispatched by telegram, telex, facsimile or other written telecommunication, addressed if to the Lessee, the Owner Participant, the Owner Trustee, the Initial Bank Lender, the Pass Through Trustee, the Original Loan Participant, the Indenture Trustee or the Loan Trustee, at their respective addresses or telex or facsimile numbers set forth below the signatures of such parties at the foot of this Agreement. Unless and until otherwise directed by the Initial Bank Lender by notice to the Owner Trustee, the Loan Trustee and the Lessee, any payments required to be made to the Initial Bank Lender shall be made to the bank account specified for such Initial Bank Lender in Schedule I to this Refunding Agreement.

SECTION 12. EXPENSES. (a) Except as provided in paragraph (c) below, and subject to paragraph (b) below, and without duplication of any amounts payable under Section 9(a) of the Participation Agreement, all of the initial out-of-pocket costs, fees and expenses incurred by the Indenture Trustee, the Owner Trustee, the Initial Bank Lender, the Owner Participant, the Pass Through Trustee, the Loan Trustee and the Original Loan Participant (in each case, to the extent set forth below) in connection with the transactions contemplated by this Agreement, the other Operative Documents, the Pass Through Trust Supplements, and the Underwriting Agreement shall be paid promptly by the Owner Participant including, without limitation,

(1) the reasonable fees, expenses and disbursements allocable to the Equipment Notes issued under the Indenture of (A) Bingham, Dana & Gould, special counsel for the Pass Through Trustee and the Loan Trustee, (B) Potter Anderson & Corroon, special counsel for the Owner Trustee, (C) Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma, (D) Shearman & Sterling, special counsel for the Underwriters of the Pass Through Certificates in an amount separately agreed, (E) Debevoise & Plimpton, special counsel for the Lessee in an amount separately agreed and (F) Vedder, Price, Kaufman, Kammholz & Day, special counsel to the Original Loan Participant;

(2) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant;

(3) the reasonable fees, expenses and disbursements of Coudert Brothers, special counsel for the Initial Bank Lender; and

(4) all other reasonable expenses incurred in connection with such actions and transactions, including, without limitation, the fees, expenses and/or commissions payable to each of the Underwriters in connection with the offering and sale of the Pass Through Certificates, the commitment fee payable to the Initial Bank Lender in the amount separately agreed, printing and document production or reproduction expenses and its proportionate share of all fees, taxes and other charges payable in connection with the offering and sale of the Pass Through Certificates and with the recording or filing of any instruments and financing statements required to be recorded or filed in connection with the transactions contemplated by this Section 12, in each case allocable to the Equipment Notes issued under the Indenture;

provided that the aggregate amount of the costs, fees and expenses payable by the Owner Participant pursuant to this Section 12, together with the costs, fees and expenses payable by the Owner Participant pursuant to Section 12 of the Refunding Agreements (AA 1995 PTC Series AA) and (AA 1995 PTC Series AB) (the "Other Refunding Agreements"), each dated as of the date hereof, shall not be in excess of 1% of the aggregate principal amount of the equipment notes issued on the Refunding Date pursuant to the Indenture and the Other Indentures. To the extent, if any, that the costs, fees and expenses referred to in this Section 12 and Section 12 of the Other Refunding Agreements shall be in excess of 1% of the aggregate principal amount of the equipment notes issued on the Refunding Date pursuant to the Indenture and the Other Indentures, such costs fees and expenses shall be paid by the Lessee.

Notwithstanding the foregoing, the Lessee shall pay, in those amounts separately agreed, the fees, expenses and disbursements of Debevoise & Plimpton, special counsel for the Lessee, and the fees and expenses of Babcock & Brown, the Lessee's financial advisor.

(b) The Owner Participant prior to the payment thereof will send copies of any invoices received by it with respect to any of the foregoing fees, expenses and disbursements constituting transaction costs to the Lessee for the Lessee's review and approval, such approval not to be unreasonably withheld or delayed.

(c) In the event that the transactions contemplated by this Section 12 and the agreements referred to herein are not consummated, the Lessee shall, except as provided in the Underwriting Agreement with regard to fees and expenses of the Underwriters, bear and pay all costs, expenses and fees referred to in this Section 12; provided that: (i) if the transaction fails to be consummated as a result of the failure of the Owner Participant to act in good faith in consummating the transactions, or otherwise comply with the terms hereof, the Owner Participant shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid; and (ii) if the transaction fails to be consummated as a result of the failure of the Initial Bank Lender to act in good faith in consummating the transactions, or otherwise comply with the terms hereof, the Initial Bank Lender shall bear and pay its own fees, costs and expenses (including, without limitation, the fees and expenses of its special counsel), and the Lessee shall pay all other reasonable fees, costs and expenses as aforesaid.

SECTION 13. TERMS OF SWAP TRANSACTION. (a) Subject to Section 2(c), the terms of the interest rate swap transaction to be entered into by the Initial Bank Lender are described in Exhibit N hereto, as such Exhibit N may be modified to reflect any changes in dates and the actual Fixed Rate applicable to such swap transaction as determined pursuant to Section 2 of this Refunding Agreement. Such Exhibit N shall constitute a part hereof as if the terms thereof were set forth herein in full.

(b) Each Bank Lender agrees that, upon notice from the Owner Trustee or the Lessee or upon otherwise learning of the possibility of the occurrence of (i) any of the events described in Section 6.01 of the Indenture or (ii) an acceleration or a redemption (or purchase in lieu of redemption) of the Bank Equipment Notes, such Bank Lender (or, if the Initial Bank Lender is the sole counterparty to the Actual Swap, the Initial Bank Lender) shall promptly (A) to the extent permitted by applicable law, notify the

Lessee and the Owner Trustee of such possibility and (B) thereafter provide the Lessee and the Owner Trustee with a non-binding good faith estimate of the Break Funding Amount.

(c) In the event any of the Bank Equipment Notes are redeemed (or purchased in lieu of redemption) pursuant to Section 6.01 of the Indenture, the Owner Trustee hereby directs each Bank Lender, and each Bank Lender hereby agrees, to pay directly to the Lessee an amount equal to any Swap Breakage Gain. In the event any of the Bank Equipment Notes are accelerated or redeemed (or purchased in lieu of redemption) as a result of an Indenture Event of Default that also constitutes a Lease Event of Default that has occurred and is continuing, the Owner Trustee hereby directs each Bank Lender that is a swap counterparty to the Actual Swap, and each such Bank Lender hereby agrees, to pay directly to the Lessee an amount equal to any Swap Breakage Gain; provided that no Bank Lender shall be required to make any such payment to the Lessee pursuant to this sentence unless the Bank Equipment Notes held by such Bank Lender that are subject to such acceleration or redemption (or purchase in lieu of redemption) shall have been paid in full. Notwithstanding the foregoing, in the event any of the Bank Equipment Notes are accelerated or redeemed (or purchased in lieu of redemption) as a result of an Indenture Event of Default that does not also constitute a Lease Event of Default, the Owner Trustee hereby directs each Bank Lender that is a swap counterparty to the Actual Swap, and each such Bank Lender hereby agrees, to pay directly to the Owner Trustee for distribution pursuant to the Trust Agreement, an amount equal to any Swap Breakage Gain; provided that no Bank Lender shall be required to make any such payment to the Owner Trustee pursuant to this sentence unless the Bank Equipment Notes held by such Bank Lender that are subject to such acceleration or redemption (or purchase in lieu of redemption) shall have been paid in full.

SECTION 14. ADDITIONAL COSTS. (a) (i) Additional Costs. If a Regulatory Change with respect to the Initial Bank Lender or any Permitted Transferee shall (A) impose on such Bank Lender any reserve, special deposit or any similar requirement with respect to the loan evidenced by its Bank Equipment Notes or any capital adequacy requirement requiring the maintenance by such Bank Lender of additional capital with respect to the loan evidenced by its Bank Equipment Notes, or (B) change the basis of taxation in the jurisdictions in which such Bank Lender has either its principal office or the lending office through which it is

participating in the Bank Equipment Notes (for such Bank Lender, its "Lending Office") of any amounts payable to such Bank Lender under the Indenture (other than any change with respect to (1) Taxes based on or imposed on or with respect to or measured by the capital, receipts or franchises of such Bank Lender or the overall net or gross income of such Bank Lender or such Lending Office, or (2) Taxes imposed on such Bank Lender or such Lending Office in lieu of or as a direct substitute for any Tax described in the preceding clause (1)) and as a result of any of the foregoing there shall be any material increase in the actual cost to such Bank Lender of making, funding or maintaining the loan evidenced by its Bank Equipment Notes or any material reduction in the amount receivable by such Bank Lender in respect thereof, in either case where such event does not arise from the gross negligence or willful misconduct of such Bank Lender, from its breach of any of its representations, warranties or covenants contained in any Operative Document or from its failure to comply with any such Regulatory Change (any such increase or reduction being referred to herein as an "Additional Cost"), then, upon demand made by such Bank Lender to the Owner Trustee, with a copy thereof to the Lessee, following the applicable Regulatory Change, the Owner Trustee shall pay directly to such Bank Lender from time to time, commencing within 15 days of the presentation by such Bank Lender of the certificate specified in the final sentence of the first paragraph of Section 14(a)(ii) hereof, an amount equal to the Additional Costs accruing from the date of delivery of such certificate. Notwithstanding any of the foregoing, the Owner Trustee's obligation to pay Additional Costs shall be limited to making such payments when and to the extent the Owner Trustee receives a corresponding payment of Supplemental Rent from the Lessee.

(ii) Notices, Mitigation and Determinations. Each Bank Lender will notify the Owner Trustee and the Lessee of any event occurring after the date of this Agreement (or, if later, after the date on which such Bank Lender purchased its Bank Equipment Notes) that will entitle such Bank Lender to compensation under Section 14(a)(i) hereof or Section 7(c) of the Participation Agreement as promptly as practicable, but, in the case of Section 14(a)(i) hereof, in any event within 30 days after the enactment date of the relevant Regulatory Change. As a condition to a Bank Lender's receiving compensation pursuant to this Section 14(a)(i) or Section 7(c) of the Participation Agreement, each such Bank Lender shall use its best efforts to avoid the need for, or to reduce the amount of, such compensation,

and such Bank Lender shall take all reasonable steps to so avoid the need for, or reduce the amount of, such compensation, including, without limitation, designating a different Lending Office of such Bank Lender (other than a Lending Office that would render such Bank Lender no longer a Treaty Lender or an Exempt Lender, as the case may be), for the Bank Equipment Notes; provided that such Bank Lender shall not be obligated to take any steps that will, in its reasonable opinion, impose any material loss, cost, expense or liability upon such Bank Lender. The affected Bank Lender shall furnish to the Owner Trustee and the Lessee (A) in the case of Section 14(a)(i) hereof, an opinion of counsel describing the Regulatory Change giving rise to the need for the payment of such compensation pursuant to Section 14(a)(i) hereof and (B) an Officer's Certificate describing in reasonable detail the facts giving rise to such Bank Lender's right to the payment of such compensation pursuant to, and the basis in reasonable detail of computing such compensation under, as applicable, this Section 14(a) or Section 7(c) of the Participation Agreement, including, without limitation, a description of the steps taken by such Bank Lender to avoid or mitigate the amount of any such compensation referred to in this Section 14(a) or Section 7(c) of the Participation Agreement and certifying that such Bank Lender has complied with its obligations under this Section 14(a) or Section 7(c) of the Participation Agreement.

Notwithstanding the foregoing provisions of this Section 14(a), in no event shall the Owner Trustee be required to make payments under this Section 14(a) in respect of any Regulatory Change proposed by any applicable governmental authority (including any branch of a legislature), central bank or comparable agency and pending as of the date of this Refunding Agreement or, in the case of any Bank Lender that is an Assignee pursuant to Section 10(e) hereof, pending as of the date of the transfer. In addition, the Owner Trustee shall not be required to make payments under this Section 14(a) to any Bank Lender if such Bank Lender's claim hereunder arises through circumstances peculiar to such Bank Lender and which do not affect commercial banking institutions in the same jurisdiction generally. No Bank Lender shall seek payment with respect to Additional Costs hereunder if such Bank Lender is not also seeking payment for similar increased costs in other similarly situated transactions.

(b) Certain Transfers of Bank Equipment Notes. If any Bank Lender requests compensation for any amounts

pursuant to Section 14(a) hereof or Section 7(c) of the Participation Agreement, the Owner Trustee shall, but only at the express direction of the Lessee (which direction the Lessee may, in its sole discretion, elect to give), require that such Bank Lender transfer its Bank Equipment Notes and all of its rights and obligations as a "Bank Lender" under its Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture to any Person or Persons (such Person or Persons being herein referred to as the "Replacement Lender(s)") identified by the Owner Trustee (as so directed by the Lessee) in a notice (the "Replacement Notice") to such Bank Lender specifying the date on which such transfer is requested to occur, the name(s) of the Replacement Lender(s) to which its interest in the Bank Equipment Notes is to be transferred and the portion thereof to be transferred to each, which notice shall be given not less than 15 Business Days prior to the date on which such transfer is to occur. Promptly after its receipt of any such notice from the Owner Trustee, unless such notice indicates that the Replacement Lender(s) do not desire an assignment of the Actual Swap, if any, or Swap Participation, if any, to which the affected Bank Lender is at such time a party, (x) if such affected Bank Lender is party to an Actual Swap, such affected Bank Lender shall ascertain whether its Swap Counterparty, if any, shall agree to an assignment of its Actual Swap by such Bank Lender to the proposed Replacement Lender(s) to the extent of their proposed respective interest in the Bank Equipment Notes and (y) if such affected Bank Lender is a party to a Swap Participation, such affected Bank Lender shall ascertain whether the Initial Bank Lender shall agree to extend the Swap Participation to the proposed Replacement Lender(s) to the extent of their proposed respective interest in the Bank Equipment Notes (the Initial Bank Lender hereby agreeing to take all commercially reasonable steps to accommodate such request). The affected Bank Lender shall promptly notify the Owner Trustee and the Lessee as to whether its Swap Counterparty shall accept such assignment to the Replacement Lender(s), or as to whether the Initial Bank Lender shall extend a Swap Participation to the Replacement Lender(s). On the date of the requested relevant transfer, (x) the affected Bank Lender shall sell, assign and transfer to the Replacement Lender(s), and the Replacement Lender(s) shall acquire and assume from the affected Bank Lender, all of the rights and obligations of the affected Bank Lender as a "Bank Lender" under the Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture (and, if the affected Bank Lender has an Actual Swap or Swap Participation being assigned to such Replacement Lender, under such Actual Swap or Swap Partici-

pation) by executing and delivering an agreement in form and substance reasonably satisfactory to the Lessee to be bound by the terms of the Operative Documents and containing such amendments to the representations, warranties and agreements to be made by such Replacement Lender and the indemnities in favor of such Replacement Lender as the Lessee may agree (for purposes of this Section 14(b), collectively, the "Transferred Interest"), (y) the Lessee and/or the Replacement Lender(s) shall pay to the affected Bank Lender an amount equal to all principal, interest and other amounts then owing under this Agreement and the Indenture in respect of the Transferred Interest (and, unless the affected Bank Lender has an Actual Swap or Swap Participation being assigned to the Replacement Lender(s), plus an amount equal to any Swap Breakage Losses, or minus an amount equal to any Swap Breakage Gains, that would be payable by or to such Bank Lender if such Bank Lender's Bank Equipment Notes were being redeemed in full), and (z) the Lessee and/or the Replacement Lender(s) shall pay to the affected Bank Lender an amount equal to all reasonable costs or expenses incurred by such Bank Lender in connection with such transfer, whereupon the Replacement Lender(s) shall each become a "Bank Lender" for all purposes of this Agreement having, except as aforesaid, all the rights and obligations under this Agreement, the Indenture and the other Operative Documents of each "Bank Lender" holding their share of the Transferred Interest, and the obligations of the affected Bank Lender in respect of the Transferred Interest shall terminate. In the event the affected Bank Lender is a party to a Swap Participation and such Swap Participation is not being assigned to the Replacement Lender(s), the Initial Bank Lender agrees to terminate the Swap Transaction to the extent of such Swap Participation.

SECTION 15. PREFUNDING. (a) To enable the Original Loan Certificates to be redeemed on the Refunding Date in accordance with the terms of this Agreement and the Original Indenture, the Initial Bank Lender shall pay by no later than 2:00 P.M. on the Business Day next preceding the Refunding Date (the "Funding Date"), an amount equal to the aggregate purchase price of the Bank Equipment Notes to be issued to it on the Refunding Date, to State Street Bank and Trust Company of Connecticut, National Association's account at State Street Bank and Trust Company, Boston, Massachusetts, ABA # 011-000-028, Account # 9900-3147, Attention: Lisa Guymont, Re: American Airlines AA 1995 PTC Series AC (the "Account"), the funds so paid by the Initial Bank Lender (the "Deposit") to be (x) held by State Street Bank and Trust Company of Connecticut, National Association

("State Street") in trust for the benefit of the Initial Bank Lender and (y) invested by State Street pursuant to Section 15(c) hereof; provided that, if the Refunding Date is delayed for any reason and the Lessee shall have given telephonic notice to the Initial Bank Lender no later than the close of business on the fourth Business Day next preceding the originally scheduled Funding Date, the Initial Bank Lender shall not make the payment provided for in this Section 15(a) on the originally scheduled Funding Date, the Funding Date may be postponed to such later date (such date to be not later than July 31, 1995) as the Lessee shall designate in writing to the Initial Bank Lender, which later date shall be at least four Business Days following the date on which the Lessee delivers written notice designating the delayed Funding Date, and the payment by the Initial Bank Lender provided for in this Section 15(a) shall be made on such delayed Funding Date.

(b) The Lessee shall pay interest to the Initial Bank Lender on the amount of its Deposit for the period from and including the Funding Date to but excluding the earlier of (i) the Refunding Date or (ii) the date such Deposit is returned to the Initial Bank Lender. Such interest shall accrue on the amount of the Deposit at a rate per annum equal to 80 basis points plus the Initial Bank Lender's overnight cost of funds (or, if higher, 80 basis points plus the floating rate base then applicable to the Initial Bank Lender as floating rate payor under any then-applicable Swap), as certified by the Initial Bank Lender to the Lessee. Accrued interest on the Deposit shall be due and payable to the Initial Bank Lender on the earlier of the dates specified in clauses (i) and (ii) of the preceding sentence.

(c) The Deposit will be invested and reinvested in Permitted Investments (as defined below) by State Street at the sole direction, for the account and at the risk of the Lessee and any earnings on the investment of such Deposit will, on the Refunding Date or on the date such Deposit is returned to the Initial Bank Lender and following payment by the Lessee to such Initial Bank Lender pursuant to clause (b) above, be paid over to the Lessee. Any directions of the Lessee to State Street hereunder may be given via telephone or facsimile. Funds paid by the Initial Bank Lender into the Account (exclusive of any earnings that are to be paid to the Lessee pursuant to the first sentence of this paragraph) will, at the direction of such Initial Bank Lender or its representative to State Street (i) be applied by State Street as provided in Section 1 hereof or

(ii) if the refunding does not occur on any scheduled Refunding Date (or any postponed Refunding Date) and the Lessee has not given timely notice to the Initial Bank Lender of a postponed Funding Date in accordance with Section 15(a) above, be returned on (or, if instructed by the Lessee in writing, prior to) the Refunding Date (or such postponed Refunding Date) to the Initial Bank Lender. The Lessee shall reimburse the Account on demand of State Street or the Initial Bank Lender for any loss, cost or expense incurred as a result of any investment by State Street in accordance with the terms hereof.

(d) "Permitted Investments" means any investment in (i) direct obligations of the United States or any agency thereof, or obligations guaranteed by the United States or any agency thereof, (ii) commercial paper rated at least A-1 by Standard & Poor's Corporation or P-2 by Moody's Investors Service, Inc., (iii) time deposits with, including certificates of deposit issued by, any bank or trust company the senior debt securities of which, or if the bank or trust company is owned by a holding company the senior debt securities of such holding company, are rated at least A-by Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc. or A3 by Moody's Investors Service, Inc., (iv) repurchase agreements with respect to securities described in clause (i) above entered into with an office of a bank or trust company meeting the criteria specified in clause (iii) above or (v) investments in money market programs of investment companies registered under the Investment Company Act of 1940, as amended, provided that such money market programs invested only in instruments of the types described above in clauses (i) through (iii).

(e) The duties of State Street under this Section 15 are limited to those specifically set forth in this Section 15. State Street shall hold the funds in the Account in trust for the Initial Bank Lender and shall give such funds the same degree of care it gives other similar property held in such a capacity. State Street shall have no responsibility to determine the authenticity or validity of any notice, instruction, request or other document delivered to it and shall be protected in acting or refraining from acting upon any written notice, instruction or request furnished to it hereunder and believed by it to be genuine and purporting to have been given by the proper party or parties. State Street's only duties and responsibilities hereunder shall be to hold and dispose of the funds in the Account in accordance with the terms of this Agreement. Without limiting the generality of the foregoing, State

Street shall have no responsibility for any loss allocable to the Account from any investment made by State Street in accordance with this Section 15. Upon making payment of the Account in the manner provided in this Agreement, State Street shall have no further liability hereunder for such paid amount so delivered.

SECTION 16. MISCELLANEOUS. (a) Except as otherwise provided for herein, the representations, warranties and agreements herein of the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee, the Owner Participant, the Original Loan Participant, the Initial Bank Lender, the Bank Lenders and the Pass Through Trustee, and the Lessee's, the Owner Trustee's, the Loan Trustee's, the Owner Participant's, the Initial Bank Lender's, the Bank Lenders' and the Pass Through Trustee's obligations under any and all thereof, shall survive the expiration or other termination of this Agreement and the other agreements referred to herein.

(b) Neither the Owner Participant nor the Pass Through Trustee shall have any obligation or duty to the Lessee with respect to the transactions contemplated hereby except those obligations or duties expressly set forth herein, in the Participation Agreement, or, in the case of the Owner Participant, in the Tax Indemnity Agreement, or, in the case of the Pass Through Trustee, in the Pass Through Trust Documents.

(c) The parties hereto agree that all Operative Documents hitherto designated "(AA 1992 AF-3)" are hereby redesignated "(AA 1995 PTC Series AC)".

(d) Neither the Pass Through Certificates nor any Equipment Note shall be registered on any securities exchange without the consent of the Lessee.

(e) This Agreement may be executed in any number of counterparts (and each of the parties hereto shall not be required to execute the same counterpart). Each counterpart of this Agreement including a signature page executed by each of the parties hereto shall be an original counterpart of this Agreement, but all of such counterparts together shall constitute one instrument. Neither this Agreement nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing signed by the party against which the enforcement of the termination, amendment, supplement, waiver or modification is sought or (in the case of such enforcement against the Bank Lenders) by the holders of a majority in principal

amount of Outstanding Bank Equipment Notes; and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to the Loan Trustee. The index preceding this Agreement and the headings of the various Sections of this Agreement are for convenience of reference only and shall not modify, define, expand or limit any of the terms or provisions hereof. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Lessee and, subject to the terms of the Participation Agreement, its successors and permitted assigns, the Original Loan Participants, the Initial Bank Lender and, subject to the terms of Sections 10(e) and 14, its permitted successors and assigns as Bank Lenders hereunder and under the Indenture, the Pass Through Trustee and its successors as Pass Through Trustee (and any additional trustee appointed) under any of the Pass Through Trust Documents, the Loan Trustee and its successors as Loan Trustee (and any additional Loan Trustee appointed) under the Indenture, the Indenture Trustee, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement, and the Owner Participant and, subject to the provisions of the Participation Agreement, its successors and permitted assigns. No purchaser or holder of any Equipment Notes shall be deemed to be a successor or assign of any of the Original Loan Participants. THIS AGREEMENT SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE. THIS AGREEMENT IS BEING DELIVERED IN THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized as of the day and year first above written.

AMERICAN AIRLINES, INC.

By \_\_\_\_\_

Name:  
Title:

Address: 4333 Amon Carter Boulevard  
Mail Drop 5662  
Fort Worth, Texas 76155

Attention: Vice President  
and Treasurer

Facsimile: (817) 967-4318  
Telephone: (817) 963-1234

AT&T CREDIT HOLDINGS, INC.  
(FORMERLY KNOWN AS AT&T  
CREDIT CORPORATION),  
as Owner Participant

By \_\_\_\_\_

Name:  
Title:

Address: 44 Whippany Road  
Morristown, New Jersey 07960

Attention: \_\_\_\_\_  
Facsimile: (201) 397-4365  
Telephone: (201) 397-3000

WILMINGTON TRUST COMPANY,  
not in its individual capacity, except  
as otherwise provided herein, but  
solely as Owner Trustee

By \_\_\_\_\_

Name:  
Title:

Address: Rodney Square North  
1100 N. Market Street  
Wilmington, Delaware 19890-0001

Attention: Corporate Trust  
Administration  
(AA 1995 PTC Series AC)

Facsimile: (302) 651-8882

Telephone: (302) 651-1000

STATE STREET BANK AND TRUST COMPANY OF  
CONNECTICUT, NATIONAL ASSOCIATION,  
not in its individual capacity,  
except as otherwise expressly  
provided herein, but solely as Loan  
Trustee

By \_\_\_\_\_

Name:  
Title:

Address: c/o State Street Bank and Trust Company  
Two International Place--4th Floor  
Boston, Massachusetts 02110

Attention: Corporate Trust Department  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

\_\_\_\_\_,  
as Original Loan Participant

By \_\_\_\_\_

Name:  
Title:

Address: \_\_\_\_\_

\_\_\_\_\_

Attention: \_\_\_\_\_

Facsimile: \_\_\_\_\_

Telephone: \_\_\_\_\_

THE MITSUBISHI TRUST AND BANKING CORPORATION,  
NEW YORK BRANCH, as Initial Bank Lender

By \_\_\_\_\_

Name:

Title:

Address: 520 Madison Avenue  
New York, New York 10022  
Attention: Vice President Special Finance  
Facsimile: (212) 486-0970  
Telephone: (212) 858-7700

STATE STREET BANK AND TRUST COMPANY OF  
CONNECTICUT, NATIONAL ASSOCIATION,  
as Pass Through Trustee under the Pass  
Through Trust Agreement and each of one or  
more separate Pass Through Trust  
Agreements

By \_\_\_\_\_

Name:

Title:

Address: c/o State Street Bank and Trust Company  
Two International Place--4th Floor  
Boston, Massachusetts 02110  
Attention: Corporate Trust Department  
Facsimile: (617) 664-5371  
Telephone: (617) 664-5610

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION,  
as Indenture Trustee

By \_\_\_\_\_

Name:

Title:

Address: Corporate Trust Lease  
Administration  
600 Peachtree St., Suite 900  
Atlanta, GA 30308

Facsimile: (404) 607-6362

Telephone: (404) 607-4681

GUARANTEE  
(AA 1995 PTC Series \_\_\_)

GUARANTEE, dated as of \_\_\_\_\_, 1995 by State Street Bank and Trust Company, a Massachusetts corporation (the "GUARANTOR") to and for the benefit of each person listed on Schedule I hereto (collectively, together with their successors and permitted assigns, the "BENEFICIARIES" and, individually, a "BENEFICIARY").

WITNESSETH:

WHEREAS, State Street Bank and Trust Company of Connecticut, National Association, a wholly-owned subsidiary of the Guarantor (the "SUBSIDIARY") wishes to act as trustee pursuant to the agreements listed on Schedule II hereto (as amended, modified or supplemented from time to time, the "AGREEMENTS").

WHEREAS, the Beneficiaries are willing to have the Subsidiary act in such capacity under the Agreements provided that the Guarantor executes and delivers this Guarantee;

WHEREAS, the Guarantor has determined that the execution and delivery by it of this Guarantee is necessary in order to conduct, promote and attain the business of the Subsidiary and the Guarantor;

NOW, THEREFORE, the Guarantor hereby agrees with and for the benefit of the Beneficiaries as follows:

1. GUARANTEE.

(a) The Guarantor hereby unconditionally and irrevocably guarantees to each of the Beneficiaries the prompt and complete payment by the Subsidiary when due of, and the faithful performance of, and compliance with, all payment obligations of the Subsidiary under the Agreements and each other document referred to therein to which the Subsidiary is a party or by which the Subsidiary is bound (collectively, the "RELEVANT DOCUMENTS"), in accordance with the terms thereof and the timely performance of and compliance with all other obligations of the Subsidiary thereunder (such payment and other obligations, the "OBLIGATIONS"). In no event, however, shall the agreement contained herein be construed to constitute a guarantee of any amount due with respect to acts or events occurring after such time, if any, that the Subsidiary ceases to be a party to the Relevant Documents.

(b) Until such time as all of the Obligations have been paid and performed in full, no payment or payments made by the Subsidiary, the Guarantor, any other guarantor or any other person or received or collected by any Beneficiary from the Subsidiary, the Guarantor, any other guarantor or any other person by virtue of any action or proceeding or any set-off or appropriation or application at any time or from time to time in reduction of or in payment of the Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder except as to the Beneficiary receiving such payment and solely by and to the extent of the net amount thereof actually received and retained by such Beneficiary, and subject in each case to the other provisions of this Guarantee (including but not limited to Paragraph 3 hereof). In no event shall any such payment or payments be deemed to modify, reduce, release or otherwise affect the liability of the Guarantor hereunder for the payment and performance in full of all of the Obligations.

(c) If for any reason any Obligations to be performed or observed by the Subsidiary shall not be observed or performed, or if any amount payable by the Subsidiary referred to in Section 1(a) hereof shall not be paid when due and payable, the Guarantor shall promptly perform or observe or cause to be performed or observed each such Obligation or undertaking and shall forthwith pay such amount at the place and to the person or entity entitled thereto pursuant to the Relevant Documents.

2. Amendments etc., with respect to the Obligations: Waiver of Rights. The Guarantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against the Guarantor and without notice to or further assent by the Guarantor, any demand for payment or performance of any of the Obligations made by any Beneficiary may be rescinded by such party and any of the Obligations continued, and the Obligations, or the liability of any other party upon or for any right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by any Beneficiary and any Relevant Document and/or any collateral security document or other guarantee or document in connection therewith, may be amended, modified, supplemented or terminated, in whole or in part, as the parties thereto may deem advisable from time to time, and any right, title or interest in or to any Relevant Documents, or the Aircraft (as defined in the Agreement), or any collateral security, guarantee or right of offset at any time held by any Beneficiary for the payment or performance of the Obligations may be sold, exchanged, waived, surrendered, released, transferred or otherwise disposed of. Without limiting the foregoing, the Guarantor unconditionally waives, to the fullest extent permitted by law, (a) notices of the creation of any Obligation under the Relevant Documents or any notice of or proof of reliance by any of the Beneficiaries upon this Guarantee or acceptance of this Guarantee (the Obligations shall conclusively be deemed to have been created, contracted, incurred or renewed, extended, amended or waived in reliance upon this Guarantee and all dealings between the Subsidiary or the Guarantor and any Beneficiary shall be conclusively presumed to have been had or consummated in reliance upon this Guarantee), (b) all notices that may be required by statute, rule of law or

otherwise, now or hereafter in effect, to preserve intact any rights of any of the Beneficiaries against the Guarantor, including, without limitation, any demand, presentment and protest, proof of notice of nonpayment under any Relevant Document, and notice of default or any failure on the part of the Subsidiary to perform or comply with any Obligation, (c) any right to the enforcement, assertion or exercise by any of the Beneficiaries of any right, power, privilege or remedy conferred herein or in any Relevant Document or otherwise, (d) any requirement of promptness or diligence on the part of any of the Beneficiaries, (e) any notice of the sale, exchange, waiver, surrender, release, transfer or other disposition of any right, title or interest in or to any Relevant Document, or the Aircraft (as defined in the Agreement), or any collateral security, guarantee or right of offset at any time held by any Beneficiary for the payment or performance of the Obligations, or (f) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge, release or defense of a guarantor or surety, or that might otherwise limit recourse against the Guarantor.

3. Guarantee Absolute and Unconditional. The Guarantor understands and agrees that this Guarantee shall be construed as a primary obligation of the Guarantor and is a present, continuing, absolute and unconditional guarantee of payment and performance (and not merely of collection) without regard to any defense, set-off or counterclaim (other than a defense of payment or performance in full) that may at any time be available to or be asserted by the Subsidiary against any Beneficiary. When pursuing its rights and remedies hereunder against the Guarantor, any Beneficiary may, but shall be under no obligation to, pursue such rights and remedies as it may have against the Subsidiary or any other person or entity or against any collateral security or guarantee for the Obligations or any right of offset with respect thereto, and any failure by any Beneficiary to pursue such other rights or remedies or to collect any payments from the Subsidiary or any such other person or entity or to realize upon any such collateral security or guarantee or to exercise any such right of offset, or any release of the Subsidiary or any such other person or entity or any such such collateral security, guarantee or right of offset, shall not relieve the Guarantor of any liability hereunder, and shall not impair or affect the right and remedies, whether express, implied or available as a matter of law, of any Beneficiary against the Guarantor. This Guarantee shall continue to be effective, or be reinstated, as the case may be, if at any time payment, in whole or in part, of any of the sums due to any of the Beneficiaries pursuant to the terms of any Relevant Document is rescinded or must otherwise be restored or returned upon the bankruptcy, insolvency, reorganization, arrangement, adjustment, composition, dissolution, liquidation, or the like, of the Subsidiary or the Guarantor, or upon or as a result of, the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to the Subsidiary or the Guarantor or any substantial part of their respective property, or otherwise, all as though such payment had not been made notwithstanding any termination of this Guarantee or any other Relevant Document. This Guarantee shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon the Guarantor and the successors and assigns thereof, and shall inure to the benefit of the Beneficiaries, and their respective successors, transferees and assigns, until all of the Obligations and the obligations of the Guarantor under this Agreement shall have been satisfied by payment and performance in full.

4. Representations and Warranties. The Guarantor hereby represents and warrants that:

(a) the Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;

(b) the Guarantor has all requisite power and authority and the legal right to execute and deliver, and to perform its obligations under, this Guarantee, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Guarantee;

(c) this Guarantee constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally;

(d) the execution, delivery and acceptance of this Guarantee, and the performance by the Guarantor of its obligations hereunder, do not and will not violate or result in a breach of or default under (or any event that with notice or the passage of time, or both, would constitute such a violation, breach or default) the respective certificate of incorporation, by-laws or other corporate organizational documents of the Guarantor or the Subsidiary, any Relevant Document or other agreement, instrument or contractual obligation to which the Guarantor or the subsidiary is party or by which either of them or any of their respective properties are bound, or any law, statute, rule, regulation, judgment, order or decree applicable to the Guarantor or the Subsidiary;

(e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other entity or person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guarantee;

(f) the Guarantor is a bank with a combined capital and surplus of at least \$500,000,000, as determined in accordance with generally accepted accounting principles; and

(g) the Guarantor owns all of the capital stock of the Subsidiary.

5. Indemnity. The Guarantor hereby agrees to pay all reasonable costs and expenses (including, without limitation, counsel fees) of all parties to the Relevant Documents incurred in connection with this Guarantee and the transactions contemplated hereby, including without limitation the execution, delivery and performance of this

Guarantee. The Guarantor agrees that American Airlines, Inc. ("American") shall not, in connection with this Guarantee and the transactions contemplated hereby, suffer or incur any loss, cost, expense or liability that American would not have suffered or incurred had such transactions not occurred, including without limitation any obligation to indemnify any other party to the Relevant Documents for any loss, cost or expense (including, without limitation, counsel fees) arising in connection with this Guarantee and the transactions contemplated hereby. The Guarantor further agrees to indemnify and hold harmless American from and against any loss, cost, action, suit, damage, expense or other liability arising out of or in connection with this Guarantee and the transactionc contemplated hereby.

6 Miscellaneous. None of the terms or provisions of this Guarantee may be waived, amended or supplemented or otherwise modified except by a written instrument executed by the Guarantor and the Beneficiaries. This Guarantee shall be binding upon the successors and assigns of the Guarantor and shall inure to the benefit of the Beneficiaries and their respective successors and assigns. THIS GUARANTEE SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAW OF THE COMMONWEALTH OF MASSACHUSETTS. All notices, requests and demands to or upon the Guarantor or any Beneficiary to be effective shall be in writing or by telecopy and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered by hand, or, in the case of mail, three days after deposit in the postal system, first class postage pre-paid, or, in the case of telecopy notice, when sent, addressed to (a) in the case of the Guarantor, 225 Franklin Street, Boston, MA 02110; Telecopy No. (617) 654-4266, and (b) in the case of any Beneficiary, the address provided for such party in or pursuant to the Relevant Documents or at such other address as such person may provide to the Guarantor in writing.

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be duly executed and delivered by its duly authorized officer as of the day and the year first above written.

STATE STREET BANK AND TRUST COMPANY

BY:  
Name:  
Title:

## SCHEDULE I

American Airlines, Inc.

AT&T Credit Holdings, Inc.

Wilmington Trust Company, as Owner Trustee

Each person that shall from time to time be a holder of an Equipment Note (as defined in the Amended and Restated Trust Indenture and Security Agreement listed on Schedule II to this Guarantee)

## SCHEDULE II

Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series \_\_\_\_), dated as of \_\_\_\_\_, 1995, between Wilmington Trust Company, as Owner Trustee (the "Owner Trustte") and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, as such Amended and Restated Trust Indenture and Security Agreement may from time to time be supplemented or amended, or the terms thereof waived or modified, to the extent permitted by, and in accordance with, the terms thereof.

Trust Indenture and Security Agreement (AA 1992 AF-[ ]), dated as of \_\_\_\_\_, 1992 between the Owner Trustee and State Street Bank and Trust Company of Connecticut, National Association, as successor to NationsBank of Georgia, National Association, as Indenture Trustee.

[Included as Exhibit 4(b)(15)]

[Included as Exhibit 4(e)(18)]

[Letterhead of Debevoise &amp; Plimpton]

\_\_\_\_\_, 1995

To Each of the Addressees Listed  
in Schedule A Attached Hereto

American Airlines, Inc.  
(AA 1995 PTC Series [ ])

Ladies and Gentlemen:

We have acted as counsel to American Airlines, Inc., a Delaware corporation (the "Lessee"), in connection with the transactions contemplated by the Refunding Agreement (AA 1995 PTC Series [ ]), dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among the Lessee, Wilmington Trust Company, as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant, [ORIGINAL LOAN PARTICIPANT], as Original Loan Participant, NationsBank of Georgia, National Association, as Indenture Trustee, and The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender. Capitalized terms used herein without definition are used as defined in the Refunding Agreement.

To Each of the Addressees  
Listed in Schedule A  
Attached Hereto

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June 15, 1995

In so acting, we have examined or participated in the preparation of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Amended and Restated Indenture, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment and the form of the Pass Through Certificates being issued today, and we have examined and relied upon the representations and warranties as to factual matters contained therein or made pursuant thereto and upon the originals, or copies certified or otherwise identified to our satisfaction, of such records, documents and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

Based on the foregoing, we are of the following opinion:

1. The Lessee is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to carry on its business as presently conducted and has, or had on the respective dates of execution thereof, the corporate power and authority to enter into its obligations under the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment and has the corporate power and authority to perform its obligations under the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment.

2. The execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease,

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the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, and the performance by the Lessee of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, have been duly authorized by all necessary corporate action on the part of the Lessee, and do not require any approval of stockholders of the Lessee or approval or consent of any trustee or holders of any indebtedness or obligations of the Lessee known to us, and neither the execution and delivery of any thereof by the Lessee nor the consummation by the Lessee of the transactions contemplated thereby nor compliance by the Lessee with any of the terms and provisions thereof contravene any law, governmental rule or regulation, judgment or order known to us to be applicable to or binding on the Lessee, or contravene or result in any breach of, or constitute any default under, or result in the creation of any Lien (other than as permitted by the Lease or the Indenture) upon any property of the Lessee under, the Certificate of Incorporation or By-Laws of the Lessee or any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan or credit agreement or other agreement or instrument known to us to which the Lessee is a party or by which the Lessee or its properties may be bound or affected.

3. Except as referred to in Section 9(c) of the Refunding Agreement and except for (i) action that may be required to register the issuance and sale of the Pass Through Certificates under the Securities Act of 1933, as amended (the "Securities Act"), which action has been duly accomplished upon the Lessee's Registration Statement on Form S-3 (Registration No. 33-42998), as amended by certain post-effective amendments thereto, having become effective under the Securities Act, pursuant to orders of the Securities and Exchange Commission, to the best of our knowledge no stop order suspending the effectiveness of the Registration Statement having been issued and no proceedings for that purpose having been instituted or threatened, (ii) qualification of the Pass Through Trust Agreement under the Trust Indenture Act of 1939, which

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qualification has been duly obtained pursuant to an order of the Securities and Exchange Commission, (iii) filings or other actions that may be required under the securities or Blue Sky laws of the various states, and iv) the filings referred to in paragraphs 5 and 6 below, neither the execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, nor the consummation by the Lessee of any of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration, the Securities and Exchange Commission or any other Federal or New York State governmental authority.

4. Each of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment has been duly executed and delivered by the Lessee, and each of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment constitutes the legal, valid and binding obligation of the Lessee enforceable against the Lessee in accordance with its terms, except i) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by general principles of equity and ii) in the case of the Lease, as limited by applicable laws which may affect the remedies provided in the Lease, which laws, however, do not

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in our opinion make the remedies provided in the Lease inadequate for the practical realization of the rights and benefits provided thereby.

5. Except for (i) the registration of the Aircraft with the Federal Aviation Administration and (ii) the filing for recordation of (x) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, y) the Original Lease (with the Lease Supplement covering the Aircraft, the Original Indenture, and the Trust Agreement and Indenture Supplement covering the Aircraft attached), and (z) the Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation, in accordance with the Federal Aviation Act, (A) with respect to such portion of the Aircraft as is covered by the recording system established by the Federal Aviation Administration pursuant to Section 44107 of Title 49 of the United States Code, and assuming that at the time of each such filing no other unrecorded documents relating to the Aircraft have been filed pursuant to such Act but have not been shown on indices of filed but unrecorded documents made available to special Oklahoma City counsel, no further filing or recording of any document is necessary or advisable under the laws of the State of New York or the Federal laws of the United States of America in order to perfect the Owner Trustee's interest in the Aircraft as against the Lessee and any third parties in any applicable jurisdiction within the United States; and B) with respect to such portion, if any, of the Aircraft as may not be covered by such recording system, no further filing or recording of any document (including any financing statement) is necessary or advisable under Article 9 of the Uniform Commercial Code as in effect in any state in order to perfect the Owner Trustee's interest therein as against the Lessee and any third parties in any such state, except for the filing of a Uniform Commercial Code financing statement in the State of Texas, which filing has been duly effected, the filing of an assignment and amendment relating to such financing statement, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the Uniform Commercial Code of the State of Texas.

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6. The Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation are in due form for recording and, subject to i) the registration of the Aircraft with the Federal Aviation Administration, and ii) the due and timely filing for recordation of (w) the Manufacturer's FAA Bill of Sale, the Manufacturer's Subsidiary's FAA Bill of Sale and the FAA Bill of Sale, (x) the Original Lease (with the Lease Supplement covering the Aircraft, the Original Indenture and the Trust Agreement and Indenture Supplement covering the Aircraft attached), (y) the Original Indenture (with such Trust Agreement and Indenture Supplement and the Original Trust Agreement attached) and z) the Lease Amendment, the Amended and Restated Indenture and the Instrument of Resignation, in accordance with the Federal Aviation Act, and assuming that at the time of each such filing no other unrecorded documents relating to the Aircraft have been filed pursuant to such Act but have not been shown on indices of filed but unrecorded documents made available to special Oklahoma City counsel, the Indenture, as supplemented, creates a security interest in the Owner Trustee's interest in the Aircraft, and, except for such filing or recordation, no further filing or recording of any such instrument or any other instrument is necessary or advisable to establish and perfect such security interest and the assignment for security purposes of the Lease and the Lease Supplement covering the Aircraft to the Loan Trustee in any applicable jurisdiction within the United States of America, except for the filing of Uniform Commercial Code financing statements within the States of Delaware and Texas, which filings have been duly effected, the filing of assignments and amendments to Uniform Commercial Code financing statements previously filed in the States of Delaware and Texas, and the filing of continuation statements with respect to all such financing statements required to be filed at periodic intervals under the Uniform Commercial Code of the States of Delaware and Texas.

7. The Owner Trustee, as Lessor under the Lease, and the Loan Trustee, as assignee of the Owner Trustee's rights under the Lease pursuant to the Indenture, would be entitled to the benefits of Section 1110 of the Bankruptcy Code (11 U.S.C.A. Section 1110) with respect

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to the Aircraft initially delivered under the Lease and subjected to the Lease and the Indenture.

In rendering the foregoing opinions, we have relied upon the respective opinions, dated today and delivered to you, of (i) Crowe & Dunlevy, P.C., special Oklahoma City counsel, as to matters of Federal aviation law and (ii) Potter, Anderson & Corroon, special counsel for the Owner Trustee, as to matters of Delaware law, and we have made no investigation of law or fact as to the matters stated in such opinions. We have made the same assumptions as set forth in such opinions (except as to the due authorization, execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment), and our opinion is subject to the same limitations as are therein set forth. With respect to the judgments or orders referred to in paragraph 2 and insofar as the foregoing opinion relates to Federal aviation laws, the Department of Transportation or the Federal Aviation Administration and as to all matters of Texas law, we have relied upon the opinion, dated today and delivered to you, of Anne H. McNamara, Esq., Senior Vice President and General Counsel of the Lessee, and in our opinion you and we are justified in relying on such opinion. We have also assumed that the Refunding Agreement and the Participation Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended.

Our opinion is limited to the laws of the State of New York, the corporate law of the State of Delaware and the Federal laws of the United States of America, except that we express no opinion with respect to the securities laws of any state, including the State of New York.

This opinion is being furnished by us solely for your benefit in connection with the transactions contemplated by the Refunding Agreement. This opinion may not be relied upon or used for any other purpose.

Very truly yours,

## SCHEDULE A

American Airlines, Inc.,  
as Lessee

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit  
Corporation),  
as Owner Participant

Wilmington Trust Company,  
as Owner Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Loan Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch,  
as Initial Bank Lender

[Letterhead of American Airlines]

\_\_\_\_\_, 1995

To each of the Addressees Listed  
on Schedule A Attached Hereto

American Airlines, Inc.  
(AA 1995 PTC Series AC)

Ladies and Gentlemen:

I am Senior Vice President and General Counsel of American Airlines, Inc., a Delaware corporation (the "Lessee"), and as such I am delivering this opinion in connection with the transactions contemplated by the Refunding Agreement (AA 1995 PTC Series AC), dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among the Lessee, Wilmington Trust Company, as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant, CIBC, Inc., as Original Loan Participant, The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and NationsBank of Georgia, National Association, as Indenture Trustee. Capitalized terms used herein without definition are used as defined in the Refunding Agreement.

In so acting, I have examined the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Lease, the Lease Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Trust Agreement, the Trust Agreement Amendment, the Original Indenture, the Amended and Restated Indenture, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Instrument of Resignation, the Pass Through Trust Documents, the Purchase Agreement Assignment and the Pass Through Certificates and have examined and relied upon the representations and warranties as to factual matters contained therein or made pursuant thereto and upon the originals, or copies certified or otherwise identified to my satisfaction, of such records, documents and other instruments as in my judgment are necessary

or appropriate to enable me to render the opinion expressed below.

Based on the foregoing, I am of the following opinion:

1. The Lessee holds an air carrier operating certificate issued by the Secretary of Transportation pursuant to Chapter 447 of Title 49 of the United States Code pursuant to which the Lessee is authorized to operate Boeing 767-323ER aircraft, the Lessee is a "citizen of the United States" as defined in Section 40102 of Title 49 of the United States Code, and the Lessee's chief executive office (as such term is defined in Article 9 of the Uniform Commercial Code in effect in the State of Texas) is located in Fort Worth, Texas.

2. The execution and delivery by the Lessee of the Refunding Agreement, the Original Participation Agreement, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Lease, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Lease Amendment, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, and the performance by the Lessee of the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment have been duly authorized by all necessary corporate action on the part of the Lessee, and do not require any approval of stockholders of the Lessee or approval or consent of, any trustees or holders of any indebtedness or obligations of the Lessee known to me; and neither the execution and delivery of any thereof by the Lessee nor the consummation or performance by the Lessee of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment nor the compliance by the Lessee with any of the terms and provisions thereof will contravene any law, governmental rule, regulation, judgment or order known to me to be applicable to, or binding on, the Lessee or for the Certificate of Incorporation or By Laws of the Lessee

contravene or result in any breach of, or constitute any default under, or result in the creation of any Lien (other than as permitted under the Lease or the Indenture) upon any property of the Lessee under, any indenture, mortgage, chattel mortgage, deed of trust, conditional sales contract, bank loan, credit agreement, contract or other agreement known to me to which the Lessee is a party or by which any of its properties may be bound or affected.

3. Except as referred to in Section 9(c) of the Refunding Agreement and the filings referred to in paragraphs 3, 5 and 6 of the opinion, dated today and delivered to you, of Debevoise & Plimpton, neither the execution and delivery by the Lessee of the Refunding Agreement, the Lease Amendment, the Amended and Restated Rent Schedule, the Tax Indemnity Agreement Amendment, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment, nor the consummation by the Lessee of the transactions contemplated by the Refunding Agreement, the Participation Agreement, the Tax Indemnity Agreement, the Lease, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment requires the consent or approval of, the giving of notice to, the registration with, or the taking of any other action in respect of, the Department of Transportation, the Federal Aviation Administration or any governmental authority of the State of Texas.

4. No filing or recording of any document in the State of Texas is necessary or advisable in order to perfect the Owner Trustee's title to and interest in the Aircraft as against the Lessee and any third party in the State of Texas, except for the filing of a Uniform Commercial Code financing statement in the State of Texas which filing has been duly effected, and the filing of an assignment and amendment relating thereto in the State of Texas, which assignment and amendment [have] been positioned for filing promptly upon closing, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the Uniform Commercial Code of the State of Texas. No filing or recording of any document in the State of Texas is necessary or advisable to

establish and perfect the security interest in the Aircraft that the Indenture, as supplemented, by its terms purports to create and the assignment for security purposes of the Lease to the Loan Trustee in accordance with the terms of the Indenture, except for the filing of the financing statement and assignment and amendment relating thereto referred to in the first sentence of this paragraph, and continuation statements relating thereto.

5. There are no pending or, to the best of my knowledge, threatened actions or proceedings before any court or administrative agency or arbitrator that would materially adversely affect the ability of the Lessee to perform its obligations under the Refunding Agreement, the Participation Agreement, the Lease, the Amended and Restated Rent Schedule, the Tax Indemnity Agreement, the Instrument of Resignation, the Pass Through Trust Documents and the Purchase Agreement Assignment.

In rendering the foregoing opinion, I have relied upon the opinion, dated today and delivered to you, of Crowe & Dunlevy, P.C., special Oklahoma City counsel. In so relying, I have made the same assumptions, and my opinion is subject to the same limitations, as are therein set forth. I have also assumed that the Refunding Agreement, the Participation Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974, as amended.

I am delivering this opinion to you pursuant to the Refunding Agreement, and no persons other than you and Debevoise & Plimpton are entitled to rely on this opinion.

With your permission, my opinion is limited to the laws of the State of Texas and the Federal laws of the United States of America, except that I express no opinion with respect to the securities laws of any jurisdiction or any other laws.

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To Each of the Addressees  
Listed on Schedule A  
Attached Hereto

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\_\_\_\_\_, 1995

Very truly yours,

Anne H. McNamara  
Senior Vice President  
and General Counsel

## Schedule A

AT&T Credit Holdings, Inc. (formerly AT&T Credit Corporation),  
as Owner Participant

Wilmington Trust Company,  
as Owner Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Loan Trustee

State Street Bank and Trust Company  
of Connecticut, National Association,  
as Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch,  
as Initial Lender

DRAFT

\_\_\_\_\_, 1995

To Each of the Persons  
Listed on Schedule A  
Attached Hereto

Re: American Airlines, Inc.  
(AA \_\_\_ PTC Series \_\_\_)

Ladies and Gentlemen:

We have acted as counsel to Wilmington Trust Company, a Delaware banking corporation (the "Trust Company"), in connection with the Trust Agreement (AA 1992 AF- \_\_\_), dated as of \_\_\_\_\_, 1992 (the "Original Trust Agreement"), by and between the Trust Company and AT&T Credit Holdings, Tnc. (formerly known as AT&T Credit Corporation), a Delaware corporation (the "Owner Participant"), as amended by the First Amendment to Trust Agreement (AA 1992 AF-\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_), dated as of the date hereof by and between the Trust Company and the Owner Participant (the "Trust Agreement Amendment"; the Original Trust Agreement as amended by the Trust Agreement Amendment being herein called the "Trust Agreement"). Pursuant to the Refunding Agreement (AA 1995 PTC Series \_\_\_), dated as of the date hereof (the "Refunding Agreement"), by and among American Airlines, Inc., as Lessee (the "Lessee"), NationsBank of Georgia, National Association (formerly known as C&S/Sovran Trust Company (Georgia), National Association), as Indenture Trustee (the "Indenture Trustee"), Swiss Bank Corporation, New York Branch and Westland/Utrecht Hypotheekbank, N.V., as Original Loan Participants (the "Original Loan Participant"), the Owner Participant, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee (the "Pass Through Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Trust Company, not in its

individual capacity except as specifically set forth therein, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement, long-term financing is being provided in connection with one Boeing 767-323 aircraft bearing U.S. Registration No. \_\_\_\_ (the "Aircraft"). This opinion is furnished upon the request of the Owner Trustee pursuant to Sections 3(1) and 4(a) of the Refunding Agreement. Capitalized terms used herein and not otherwise defined are used as defined in or by reference in the Refunding Agreement, except that reference herein to any instrument shall mean such instrument as in effect on the date hereof after giving effect to the transactions contemplated by the Refunding Agreement.

We have examined executed counterparts or copies otherwise identified to our satisfaction of the following documents:

- (a) The Original Trust Agreement;
- (b) The Trust Agreement Amendment;
- (c) The Original Participation Agreement and the amendments thereto effective on the date hereof (the "Participation Agreement");
- (d) The Refunding Agreement;
- (e) The Original Lease;
- (f) The Lease Amendment;
- (g) The Lease Supplement No. 1 dated the Delivery Date covering the Aircraft (the "Lease Supplement");
- (h) The Indenture;
- (i) The Trust Agreement and Indenture Supplement No. 1 dated the Delivery Date covering the Aircraft (the "Trust Supplement");
- (j) The Purchase Agreement Assignment;
- (k) The Instrument of Resignation;
- (l) The Amended and Restated Rent Schedule; and

- (m) The Equipment Notes being issued on the date hereof (the "Equipment Notes").

The documents identified in paragraphs (a) through (l) above are collectively referred to herein as the "Operative Documents."

We have also examined originals or copies of such other documents, such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of the corporations or entities referred to herein and such other instruments as we have deemed necessary or appropriate for the purposes of this opinion. Moreover, as to certain facts material to the opinions expressed herein, we have relied upon the representations and warranties contained in the instruments referred to above.

Based upon the foregoing and upon an examination of such questions of law as we have considered necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. The Trust Company is a Delaware banking corporation, duly organized and validly existing in good standing under the laws of the State of Delaware and has the corporate, banking and trust powers to enter into and perform its obligations under the Trust Agreement, and the Owner Trustee has the authority under the Trust Agreement to execute, deliver and perform its obligations under the Operative Documents and to issue, execute, deliver and perform its obligations under the Equipment Notes.

2. The Trust Company is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code.

3. Each Operative Document has been duly authorized, executed and delivered by the Trust Company or by the Owner Trustee, as the case may be, and constitutes the legal, valid and binding obligation of the Trust Company or the Owner Trustee, as the case may be, enforceable against the Trust Company or the Owner Trustee, as the case may be, in accordance with its respective terms. The Trust Agreement constitutes a legal, valid and binding obligation of the Owner Participant enforceable against the Owner Participant in

accordance with its terms. The Equipment Notes have been duly authorized, issued, executed and delivered by the Owner Trustee, pursuant to authorization contained in the Trust Agreement, and constitute the legal, valid and binding obligations of the Owner Trustee enforceable against the Owner Trustee in accordance with their terms and the terms of the Indenture; and the Equipment Notes are entitled to the benefits and security afforded by the Indenture in accordance with its terms and the terms of the Indenture.

4. Neither the execution and delivery by the Trust Company or the Owner Trustee, as the case may be, of the Operative Documents, nor the issuance, execution and delivery by the Owner Trustee of the Equipment Notes, nor the fulfillment of or compliance by the Trust Company or the Owner Trustee, as the case may be, with the respective provisions thereof, conflicts with, or results in a breach of the terms, conditions or provisions of, or constitutes a default under, or results in a violation of, the charter or by-laws of the Trust Company, any law of the State of Delaware or any federal law of the United States of America governing the banking or trust powers of the Trust Company or, to the best of our knowledge, any agreement, indenture, instrument, order, judgment or decree to which the Trust Company, the Owner Trustee or any of their respective properties is subject.

5. No consent, approval or other action by or any notice to or filing with any court or administrative or governmental body is required under the laws of the State of Delaware or the federal laws of the United States of America governing the banking or trust powers of the Trust Company in connection with the authorization, execution and delivery by the Trust Company or the Owner Trustee of the Operative Documents, the authorization, issuance, execution and delivery by the Owner Trustee of the Equipment Notes, or the fulfillment of or compliance by the Trust Company or the Owner Trustee with the respective terms and provisions thereof.

6. The Trust Agreement creates for the benefit of the Owner Participant the rights and interests in the Trust Estate which the Trust Agreement by its terms purports to create, and such interest is subject and subordinate to the security interests created by the Indenture to the extent provided in the Indenture.

7. There are no taxes, fees or other charges ("Taxes") payable to the State of Delaware or to any political subdivision thereof in connection with the execution and delivery of the Operative Documents or the Pass Through Trust Documents. None of the transactions contemplated by the Operative Documents or the Pass Through Trust Documents nor any of the Owner Participant, the Lessee, the Owner Trustee (individually or as Owner Trustee), the Trust Estate, the trust created by the Trust Agreement, any holder of an Equipment Note, any Original Loan Participants, the Loan Trustee (in its individual capacity or as trustee), the Indenture Estate (such term being used in this opinion letter as defined in the Indenture), the Indenture Trustee (in its individual capacity or as Indenture Trustee), the trust created by the Indenture, any Pass Through Trustee (in its individual capacity or as trustee), any trust created by any Pass Through Trust Document or any holder of a Pass Through Certificate (or their Affiliates, successors, officers, directors, agents, servants or assigns) will be subject to any Tax under the laws of the State of Delaware or any political subdivision thereof (other than Taxes imposed on the fees received by the Owner Trustee for acting as trustee under the Trust Agreement) which would not have been imposed if the trust created by the Trust Agreement had not been created pursuant to the laws of the State of Delaware and the Trust Company had not (a) been incorporated under the laws of, (b) had its principal place of business in, (c) performed (individually or as Owner Trustee) its duties under the Operative Documents in, and (d) engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Delaware. There are no Taxes under the laws of the State of Delaware or any political subdivision thereof upon or with respect to (i) the construction, mortgaging, financing, refinancing, purchase, acquisition, acceptance, rejection, delivery, nondelivery, transport, location, ownership, control, insurance, registration, reregistration, deregistration, assembly, possession, repossession, operation, use, condition, maintenance, repair, sale, return, abandonment, replacement, preparation, installation, storage, redelivery, manufacture, leasing, subleasing, modification, rebuilding, importation, transfer of title, transfer of registration, exportation or other application or disposition of the Aircraft, any Engine or any Part or any interest in any thereof (ii) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest therein or payable pursuant to the Lease, (iii)

any amount paid or payable pursuant to any Operative Document or any Pass Through Trust Document, (iv) the Aircraft, any Engine or any Part or any interest therein or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest therein, (v) any or all of the Operative Documents, the Pass Through Trust Documents, the Equipment Notes or any interest in any or all thereof, or the offering, assumption, registration, reregistration, issuance, acquisition, modification, reissuance, refunding or refinancing of any or all thereof, and any other documents contemplated hereby or thereby and amendments and supplements hereto and thereto, (vi) any change in the Owner Trustee or the situs of the Trust Estate made pursuant to Section 9(d) of the Participation Agreement, (vii) the property, or the income or other proceeds received with respect to the property, held by the Loan Trustee under the Indenture, (viii) the payment of the principal of or interest or premium on, or other amounts payable with respect to, any or all of the Loan Certificates, the Equipment Notes or the Pass Through Certificates, whether as originally issued or pursuant to any refinancing, refunding, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all of the Equipment Notes or the Pass Through Certificates, or (ix) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if the trust created by the Trust Agreement had not been created pursuant to the laws of the State of Delaware and the Trust Company had not (w) been incorporated under the laws of, (x) had its principal place of business in, (y) performed (individually or as Owner Trustee) its duties under the Operative Documents in, and (z) engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Delaware.

8. The Owner Trustee has received from the Lessee such title to the Aircraft as was conveyed to it by the Lessee, subject to the rights of the Owner Trustee and the Lessee under the Lease and the security interest created pursuant to the Indenture and the Trust Supplement; and, to our knowledge, there exist no Liens affecting the interest of the Owner Trustee in the Aircraft resulting from acts of the Owner Trustee, except Liens permitted by the Participation Agreement, the Trust Agreement, the Indenture, the Trust Supplement, the

Lease, and the Lease Supplement or created by the Trust Agreement, the Indenture or the Trust Supplement.

9. All the properties which are part of the Indenture Estate (including all right, title and interest of the Owner Trustee pledged and mortgaged by it pursuant to the Indenture) have been pledged and mortgaged with the Loan Trustee as part of the Indenture Estate, and the beneficial interest of the Owner Participant under the Trust Agreement in and to such properties is subject, to the extent provided in the Indenture, to the lien of the Indenture in favor of the holders from time to time of the Equipment Notes.

10. To the extent that the Uniform Commercial Code of the State of Delaware (the "UCC") is applicable, except for the Loan Trustee's taking of possession of all monies, instruments and securities constituting part of the Indenture Estate, no action, including the filing or recording of any document, is necessary (i) to create in the State of Delaware the security interest in the Indenture Estate (including the grant and assignment unto the Loan Trustee of the security interest in all estate, right, title and interest of the Owner Trustee in, to and under the Lease, the Lease Supplement, the Purchase Agreement (to the extent assigned by the Purchase Agreement Assignment) and the Purchase Agreement Assignment) which the Indenture by its terms purports to create in favor of the Loan Trustee, and (ii) to perfect in the State of Delaware such security interest, except for the filing of a UCC financing statement in the State of Delaware, which filing has been duly effected, and the filing of continuation statements with respect thereto required to be filed at periodic intervals under the UCC.

11. To the best of our knowledge, there are no proceedings pending or threatened against or affecting the Trust Company or the Owner Trustee in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the right, power and authority of the Trust Company or the Owner Trustee to enter into or perform its obligations under the instruments referred to in paragraph 1 above.

The foregoing opinions are subject to the following assumptions, exceptions and qualifications:

A. The foregoing opinions are limited to the laws of the State of Delaware and the federal laws of the United States of America governing the banking and trust powers of the Trust Company. In addition, we express no opinion with respect to (i) federal securities laws, including the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, (ii) the Federal Aviation Act of 1958, as amended (except with respect to the opinion set forth in paragraph 2 above concerning the citizenship of the Trust Company), (iii) the Federal Communications Act of 1934, as amended, or (iv) state securities or blue sky laws. Insofar as the foregoing opinions relate to the validity and enforceability in Delaware of the Equipment Notes and the Operative Documents expressed to be governed by laws other than the laws of the State of Delaware, we have assumed that the Equipment Notes and such Operative Documents constitute legal, valid, binding and enforceable documents or instruments under such laws (as to which we express no opinion).

B. The foregoing opinions regarding the enforceability of any document or instrument are subject to (i) applicable bankruptcy, insolvency, moratorium, reorganization, receivership, fraudulent conveyance and similar laws affecting the rights and remedies of creditors generally, and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

C. We have assumed the due authorization, execution and delivery by each of the parties thereto, other than the Trust Company and the Owner Trustee, of the Operative Documents to which each is a party and that each of such parties has the full power, authority and legal right to execute and deliver each such document.

D. The opinion set forth in paragraph 2 above concerning the citizenship of the Trust Company is based upon an affidavit of the Trust Company, made by its Vice President, the facts set forth in which we have not independently verified.

E. We have assumed that all signatures (other than those of the Trust Company and the Owner Trustee) on documents and instruments submitted to us as originals are authentic, and that all documents and instruments submitted to

us as copies conform with the originals, which facts we have not independently verified.

F. We do not purport to be experts in respect of, or express any opinion concerning, aviation law or other laws, rules or regulations applicable to the particular nature of the equipment owned by the Owner Trustee.

G. We have assumed that the Participation Agreement, the Refunding Agreement and the transactions contemplated thereby are not within the prohibitions of Section 406 of the Employee Retirement Income Security Act of 1974.

H. We have assumed the due authentication of the Equipment Notes by the Loan Trustee.

I. No opinion is expressed as to the nature of the title to any part of the Trust Estate or the priority of any mortgage or security interest.

J. This opinion is rendered solely for your benefit and may not be furnished or quoted to or relied upon by any other person or entity for any purpose without our prior written consent, except that the law firms of Debevoise & Plimpton and Shearman & Sterling may rely on this opinion in connection with the rendering of their opinions dated the date hereof in connection with the financing described herein.

Very truly yours,

## OWNER TRUSTEE

Wilmington Trust Company

## LESSEE

American Airlines, Inc.

## OWNER PARTICIPANT

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit Corporation)

## LOAN TRUSTEE

State Street Bank and Trust Company of Connecticut,  
National Association

## PASS THROUGH TRUSTEE

State Street Bank and Trust Company of Connecticut,  
National Association

## UNDERWRITERS

J.P. Morgan Securities Inc.  
Morgan Stanley & Co. Incorporated  
Salomon Brothers Inc

## Initial Bank Lender

The Mitsubishi Trust and Banking Corporation,  
New York Branch

June \_\_, 1995

TO THE PARTIES SET FORTH  
IN SCHEDULE A HERETO

RE: AMERICAN AIRLINES, INC.  
REFUNDING AGREEMENT (AA 1995 PTC SERIES AC)

Ladies and Gentlemen:

We are acting as special counsel to State Street Bank and Trust Company of Connecticut, National Association, individually ("SSB"), and as Loan Trustee (the "LOAN TRUSTEE") under the Trust Indenture and Security Agreement (AA 1995 AF-3), dated as of August 1, 1992 between Wilmington Trust Company, as Owner Trustee (the "OWNER TRUSTEE") and the Loan Trustee, as successor to NationsBank of Georgia, National Association, and State Street Bank and Trust Company (the "PARENT GUARANTOR") in connection with the transactions contemplated by (i) that certain Refunding Agreement (AA 1995 PTC Series AC) dated as of June 1, 1995 (the "REFUNDING AGREEMENT"), among SSB, as Loan Trustee; American Airlines, Inc., as Lessee; AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant; the Owner Trustee; SSB, as Pass Through Trustee; CIBC, Inc., as Original Loan Participant; The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender; and NationsBank of Georgia, National Association, as Indenture Trustee, and (ii) the Guarantee (AA 1995 PTC Series AC) dated as of June 1, 1995 (the "GUARANTEE") from the Parent Guarantor to the Beneficiaries named therein. This opinion is delivered to you pursuant to Section 3(m) and Section 4(a) of the Refunding Agreement. Except as otherwise defined herein, terms used herein shall have the meanings set forth in the Refunding Agreement.

Our representation of SSB, the Loan Trustee and the Parent Guarantor has been as special counsel for the purposes stated above. As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the parties set forth in the Operative Documents and (ii) certificates delivered to us by the management of SSB

and the Parent Guarantor, and have assumed, without independent inquiry, the accuracy of those representations and certificates.

We have examined the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule, the Instrument of Resignation, the Participation Agreement, and the Guarantee, Certificates of the Comptroller of the Currency and the Massachusetts Commissioner of Banks relating to SSB and the Parent Guarantor, respectively, and originals, or copies certified or otherwise identified to our satisfaction, of such other records, documents, certificates, or other instruments as we have deemed necessary or advisable for the purposes of this opinion.

We have assumed the genuineness of all signatures (other than those on behalf of SSB, the Loan Trustee and the Parent Guarantor), the conformity to the originals of all documents reviewed by us as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document (other than on behalf SSB, the Loan Trustee and the Parent Guarantor).

When an opinion set forth below is given to the best of our knowledge, or to our knowledge, or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual knowledge or awareness of the individual lawyer in the firm that signed this opinion, the individual lawyers in the firm who have participated directly in the specific transactions to which this opinion relates or in the preparation of this opinion and the partner of the firm responsible for SSB corporate trust matters, and without any special or additional investigation undertaken for the purposes of this opinion.

Each opinion set forth below relating to the enforceability of any agreement or instrument against SSB, the Loan Trustee, or the Parent Guarantor, as applicable, is subject to the following general qualifications:

(i) as to any agreement to which SSB, or the Loan Trustee, as applicable, is a party, we assume that such agreement is the legal, valid and binding obligation of each other party thereto (other than SSB and the Loan Trustee, as the case may be);

(ii) the enforceability of any obligation of SSB, the Loan Trustee, and the Parent Guarantor may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, marshaling and other similar laws and rules of law affecting the enforcement generally of creditors'

rights and remedies (including such as may deny giving effect to waivers of debtors' or guarantors' rights); and

(iii) the enforcement of any rights and availability of any specific or equitable relief may in all cases be subject to an implied duty of good faith and to general principles of equity (regardless of whether such enforceability or such relief is considered in a proceeding at law or in equity).

Subject to the limitation set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. The opinions expressed in paragraphs 1 through 9 below are limited solely to the internal substantive laws of the State of Connecticut and the federal laws of the United States of America, and the opinions expressed in paragraphs 10, 12, 13, 14 and 15 below are limited solely to the internal substantive laws of The Commonwealth of Massachusetts and the federal laws of the United States of America. The opinion expressed in paragraph 11 below is limited solely to the internal substantive laws of the State of Connecticut and the internal substantive laws of The Commonwealth of Massachusetts. No opinion is expressed herein as to the application or effect of federal securities laws or as to the securities or so-called "Blue Sky" laws of any state or other jurisdiction. In addition, other than our opinion expressed in paragraph 1 below with respect to the citizenship of SSB, no opinion is expressed as to matters governed by Title 49 of the United States Code, or by any other law, statute, rule or regulation of the United States relating to the acquisition, ownership, registration, use, operation, maintenance, repair, replacement or sale of or the nature of the Aircraft, Airframe or Engines.

With your permission, with respect to paragraphs 1 through 5 below in connection with our opinion relating to the legality, validity and binding effect of the documents there referred to, to the extent that the laws of the State of Connecticut do not govern such documents, we have assumed that the laws of the jurisdictions whose laws govern such documents are not materially different from the internal substantive laws of the State of Connecticut.

This opinion is rendered solely for the benefit of those institutions listed on Schedule A hereto and their successors and assigns in connection with the transactions contemplated by the Refunding Agreement and may not be used or relied upon by any other person or for any other purpose.

Based on and subject to the foregoing, we are of the opinion that:

1. SSB is a national banking association duly organized and validly existing in good standing with the Comptroller of the Currency under the laws of the United States of America, is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, and has the corporate power and authority to execute and deliver, individually or as Loan Trustee, as the case may be, the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and to authenticate the Equipment Notes, and to carry out, individually or as Loan Trustee, as the case may be, the terms of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation;

2. each of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation have been duly authorized, executed and delivered by SSB, individually or as Loan Trustee, as the case may be, and, assuming the due authorization, execution and delivery by the other parties thereto and that value has been given, each of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation constitutes the legal, valid and binding obligation of SSB, individually or as Loan Trustee, as the case may be, enforceable against it in such capacities in accordance with its terms;

3. the Equipment Notes issued on the date hereof have been duly and validly authenticated by SSB, as Loan Trustee, pursuant to the terms and provisions of, and in accordance with the requirements of, the Indenture;

4. the execution and delivery by SSB, individually or as Loan Trustee, as the case may be, of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and the performance of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, and the authentication by the Loan Trustee of the Equipment Notes issued today, have been duly authorized by all necessary corporate action on the part of SSB, individually or as Loan Trustee, as the case may be, and do not and did not require any approval of the stockholders of SSB, and such execution, delivery and performance were not and are not in violation of SSB's Articles of Association or By-laws, or of any indenture, mortgage, credit agreement, license or other

agreement or instrument, in each case known to us, to which SSB, individually or as Loan Trustee, as the case may be, is a party or by which it in either capacity is bound, or of any judgment or order known to us or of any federal law, rule or regulation relating to its banking or trust powers or any Connecticut law, rule or regulation applicable to SSB in either capacity;

5. neither the execution, delivery or performance by SSB, individually or as Loan Trustee, as the case may be, of the Refunding Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation, nor the performance of the Refunding Agreement, the Original Participation Agreement, the Original Indenture, the Original Rent Schedule, the Participation Agreement, the Indenture, the Amended and Restated Rent Schedule and the Instrument of Resignation nor the authentication by the Loan Trustee of the Equipment Notes issued today nor the consummation of any of the transactions by SSB, individually or as Loan Trustee, as the case may be, contemplated thereby required or requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to any governmental authority or agency under any existing federal or Connecticut law governing the banking, fiduciary or trust powers of SSB;

6. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the State of Connecticut or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Loan Trustee, as the case may be, or by the Lessee, of the Operative Documents or the Instrument of Resignation to which SSB in either capacity or the Lessee is a party or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Equipment Notes pursuant to the Indenture. Neither SSB, in its individual capacity or as Loan Trustee, as the case may be, the Owner Participant, the Owner Trustee (in its individual capacity or as Owner Trustee), the trust created by the Trust Agreement, the Trust Estate, the Indenture Trustee (in its individual capacity, or as Indenture Trustee), the Original Loan Participant, the Indenture Estate, any holder of any Equipment Note, the Lessee, the Pass Through Trustee, any trust created by any Pass Through Trust Document, any holder of any Pass Through Certificate, any person acquiring an interest in any Pass Through Certificate, the trust created by the Indenture, nor any entity created by the Indenture (nor their officers, directors, agents, servants, affiliates, successors or assigns) will be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof (other than Taxes imposed on

the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee) that would not have been imposed if SSB had not had its principal place of business in, had not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the State of Connecticut. There are no applicable Taxes under the laws of the State of Connecticut or any political subdivision thereof upon or with respect to (a) the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof; (b) the purchase, acceptance, rejection, delivery, nondelivery, transport, location, insurance, registration, assembly, maintenance, abandonment, storage, modification, transfer of title, acquisition, ownership, delivery, lease, sublease, financing, refinancing, mortgaging, presence, condition, replacement, substitution, pooling, assignment, alteration, exportation, repossession, control, deregistration, possession, use, operation, construction, manufacture, repair, sale, return, transfer or other application or disposition of the Aircraft, the Airframe, any Engine or any Part or any interest therein; (c) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease; (d) any amount paid or payable pursuant to any Operative Document, the Instrument of Resignation or any Pass Through Trust Document (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or Pass Through Trustee); (e) any or all of the Operative Documents, the Instrument of Resignation, any or all of the Pass Through Trust Documents, the Underwriting Agreement, any or all of the Equipment Notes or the Pass Through Certificates or any interest therein or the offering, registration, reregistration, issuance, acquisition, modification, recording, filing, assumption, reissuance, redemption, refinancing or refunding thereof, or any other documents contemplated thereby and amendments, waivers, consents and supplements thereto; (f) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Equipment Notes, whether as originally issued or pursuant to any refinancing, refunding, redemption, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all the Equipment Notes; (g) any change in the Owner Trustee made pursuant to Article IX of the Trust Agreement or the situs of the Trust Estate made pursuant to Section 9 of the Participation Agreement; (h) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by SSB, as Loan Trustee, under the

Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents, the Instrument of Resignation or the Pass Through Trust Documents, which would not have been imposed if SSB had not had its principal place of business in, and not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the State of Connecticut;

7. to the best of our knowledge there are no proceedings pending or threatened against or affecting SSB, either in its individual capacity or as Loan Trustee, as the case may be, in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the Indenture Estate or would question the right, power and authority of SSB in either capacity to enter into or perform its obligations under the instruments referred to in paragraph 1 above;

8. insofar as the laws of the State of Connecticut pertains thereto, the Indenture creates for the benefit of the holders of the Equipment Notes the rights and interests in the Indenture Estate which the Indenture by its terms purports to create;

9. to the best of our knowledge, there exist no liens affecting the title of the Owner Trustee to the Trust Estate or any part thereof resulting from the acts of the Loan Trustee and not related to the interest of the Loan Trustee in the Trust Estate except liens permitted by the Operative Documents;

10. the Parent Guarantor is a Massachusetts trust company, duly organized, validly existing and in good standing with the Commissioner of Banks of the Commonwealth of Massachusetts under the laws of the Commonwealth of Massachusetts;

11. all of the shares of the outstanding capital stock of SSB are owned of record by the Parent Guarantor;

12. the Parent Guarantor has full corporate power and authority and legal right to enter into and perform its obligations under the Guarantee, and the Guarantee has been duly authorized, executed and delivered by duly authorized officers of the Parent Guarantor and is the legal, valid and

binding obligation of the Parent Guarantor enforceable against the Parent Guarantor in accordance with its terms;

13. the execution and delivery of the Guarantee and compliance by the Parent Guarantor with all of the provisions thereof do not and will not (i) contravene any law or, (ii) contravene any order known to us of any court or governmental authority or agency applicable to or binding on the Parent Guarantor or (iii) contravene the provisions of its charter documents or by-laws or the provisions of any indenture, mortgage, contract or other agreement, in each case known to us, to which it is a party or by which it or its properties may be bound or affected;

14. neither the execution nor the delivery of the Guarantee by the Parent Guarantor nor the performance by the Parent Guarantor of the Guarantee requires the consent, approval or authorization of, the giving of notice to, the recording or filing, registration or qualification with, or the taking of any other action in respect of any Massachusetts governmental authority on the part of the Parent Guarantor;

15. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the Commonwealth of Massachusetts or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Loan Trustee, as the case may be, or by the Lessee, of the Operative Documents or the Instrument of Resignation to which SSB in either capacity or the Lessee is a party or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Equipment Notes pursuant to the Indenture. Neither SSB, in its individual capacity or as Loan Trustee, as the case may be, the Owner Participant, the Owner Trustee (in its individual capacity or as Owner Trustee), the trusts created by the Trust Agreement, the Trust Estate, the Indenture Trustee (in its individual capacity, or as Indenture Trustee), the Original Loan Participants, the Indenture Estate, any holder of any Equipment Note, the Lessee, the Pass Through Trustee, any trust created by any Pass Through Trust Document, any holder of any Pass Through Certificate, any person acquiring an interest in any Pass Through Certificate, the trust created by the Indenture, nor any entity created by the Indenture (nor their officers, directors, agents, servants, affiliates, successors or assigns) will be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee) that would not have been imposed if SSB had not performed, either

in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the Commonwealth of Massachusetts. There are no applicable Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof upon or with respect to (a) the Aircraft, the Airframe, any Engine or any Part or any interest in any thereof or the applicability of the Lease to the Aircraft, any Engine or any Part or any interest in any thereof; (b) the purchase, acceptance, rejection, delivery, nondelivery, transport, location, insurance, registration, assembly, maintenance, abandonment, storage, modification, transfer of title, acquisition, ownership, delivery, lease, sublease, financing, refinancing, mortgaging, presence, condition, replacement, substitution, pooling, assignment, alteration, exportation, repossession, control, deregistration, possession, use, operation, construction, manufacture, repair, sale, return, transfer or other application or disposition of the Aircraft, the Airframe, any Engine or any Part or any interest therein; (c) payments of Rent or the receipts, income or earnings arising therefrom or received with respect to the Aircraft, any Engine or any Part or any interest in any thereof or payable pursuant to the Lease; (d) any amount paid or payable pursuant to any Operative Document, the Instrument of Resignation or any Pass Through Trust Document (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or Pass Through Trustee); (e) any or all of the Operative Documents, the Instrument of Resignation, any or all of the Pass Through Trust Documents, the Underwriting Agreement, any or all of the Equipment Notes or the Pass Through Certificates or any interest therein or the offering, registration, reregistration, issuance, acquisition, modification, recording, filing, assumption, reissuance, redemption, refinancing or refunding thereof, or any other documents contemplated thereby and amendments, waivers, consents and supplements thereto; (f) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Equipment Notes, whether as originally issued or pursuant to any refinancing, refunding, redemption, assumption, modification or reissuance or any other obligation evidencing any loan in replacement of the loan evidenced by any or all the Equipment Notes; (g) any change in the Owner Trustee made pursuant to Article IX of the Trust Agreement or the situs of the Trust Estate made pursuant to Section 9 of the Participation Agreement; (h) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by SSB, as Loan Trustee, under the Indenture or (i) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents, the Instrument of

Resignation or the Pass Through Trust Documents, which would not have been imposed if SSB had not performed, either in its individual capacity or as Loan Trustee, as the case may be, any or all of its administrative duties under the Operative Documents or the Instrument of Resignation in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Instrument of Resignation in, the Commonwealth of Massachusetts.

This opinion is rendered to you at the request of SSB, as Loan Trustee, and the Parent Guarantor, pursuant to the Refunding Agreement and SSB, as Loan Trustee and the Parent Guarantor have consented to the opinions expressed herein. We have discussed with SSB, as Loan Trustee, and the Parent Guarantor the consequences of their request for and consent to the rendering of the opinions expressed herein. This opinion is solely for your benefit in connection with the above transactions and to that extent we agree and understand that you may rely upon the opinions expressed herein.

Very truly yours,

BINGHAM, DANA & GOULD

## SCHEDULE A

American Airlines, Inc., as Lessee

State Street Bank and Trust Company of Connecticut, National Association,  
as Pass Through Trustee

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation),  
as Owner Participant

Wilmington Trust Company, as Owner Trustee

The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial  
Bank Lender

CIBC, Inc., as Original Loan Participant

DRAFT 6/1/95

[Letterhead of Sidley &amp; Austin]

\_\_\_\_\_, 1995

To Each of the Addressees  
Listed on Schedule A Attached Hereto

Re: American Airlines, Inc.  
(AC 1995 PTC Series)

Ladies and Gentlemen:

We have acted as special counsel to AT&T Credit Holdings, Inc., a Delaware corporation (the "Owner Participant"), in connection with the transactions contemplated by the Refunding Agreement dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement"), among American Airlines, Inc., as Lessee, Wilmington Trust Company, as Owner Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, NationsBank of Georgia, National Association, as Indenture Trustee, CIBC, Inc., as Original Loan Participant, State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Owner Participant. This opinion is given pursuant to Sections 3(n) and 4(a) of the Refunding Agreement. Unless otherwise defined herein, all capitalized terms used herein shall have the meaning ascribed to them in the Refunding Agreement.

In that connection, we have examined executed counterparts of the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Rent Schedule, the Amended and Restated Rent Schedule, the Original Tax Indemnity Agreement and the Tax Indemnity Agreement Amendment (collectively, the "Agreements"). We have further examined and relied upon the accuracy of original, certified, conformed, photographic or telecopied copies of such records, agreements, certificates and other documents as we have deemed necessary or appropriate to enable us to render the opinions expressed herein. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to such original documents of all copies submitted to us as certified, conformed, photographic or telecopied copies, and, as to certificates and telegraphic and telephonic

confirmations given by public officials, we have assumed the same to have been properly given and to be accurate.

In rendering the opinions set forth below, we have assumed the due authorization, execution and delivery of the Agreements by each party other than the Owner Participant.

Based upon the foregoing, we are of the opinion that:

1. The Participation Agreement, the Trust Agreement, the Refunding Agreement, the Amended and Restated Rent Schedule and the Tax Indemnity Agreement constitute valid and binding obligations of the Owner Participant, enforceable against the Owner Participant in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting enforcement of creditors' rights generally and except as enforcement thereof is subject to general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

2. Neither the execution and delivery of the Participation Agreement, the Trust Agreement, the Refunding Agreement, the Amended and Restated Rent Schedule or the Tax Indemnity Agreement by the Owner Participant nor the consummation by the Owner Participant of any of the transactions therein contemplated, or the fulfillment of, or compliance with, the terms and provisions of any thereof, (A) requires the consent or approval of, the giving of notice to, the registration with, or taking of any other action with respect to, any governmental authority or agency of the State of New York or the federal government of the United States of America or (B) contravenes any law, governmental rule or regulation of the State of New York or the federal government of the United States of America.

In rendering the foregoing opinions, we have, with your consent, relied upon the opinion of even date herewith of Louis B. Fontana, Esq., [Assistant Secretary] of the Owner Participant, as to the matters set forth therein.

The foregoing opinions are subject, however, to the qualification that we express no opinion as to (i) matters relating to the title to or sufficiency or description of any property or collateral described in the Participation Agreement or the Trust Agreement or the perfection or relative priority of any lien or security interest created with respect to such property or collateral thereunder or (ii) the enforceability of any indemnification provisions of the Agreements insofar as they

To Each of the Addresses  
Listed on Schedule A Attached Hereto

\_\_\_\_\_, 1995

Page 3

might require indemnification of an indemnified party as to any loss, cost or expense arising out of any violation by any party of statutory duties, general principles of equity or public policy. In addition, we express no opinion as to matters governed by (i) any tax laws, (ii) the Federal Aviation Act of 1958, as amended, or any other laws, statutes, rules or regulations of the United States of America relating to the acquisition, ownership, registration, leasing, use or sale of the Aircraft, the Airframe or the Engines, (iii) any securities laws or (iv) the Employee Retirement Income Security Act of 1974.

We are licensed to practice law in the State of New York, and we express no opinions herein as to the laws of any state or jurisdiction other than the laws of the State of New York, the federal laws of the United States of America and the General Corporation Law of the State of Delaware.

This opinion is furnished by us at your request, and we agree that you may rely on the opinions expressed herein. No other person or entity shall be entitled to rely on the opinions expressed herein without our express written consent.

Very truly yours,

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant

American Airlines, Inc., as Lessee

Wilmington Trust Company, as Owner Trustee

State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee and Pass Through Trustee

The Mitsubishi Trust and Banking Corporation,  
New York Branch, as Initial Bank Lender

[Letterhead of AT&amp;T]

\_\_\_\_\_, 1995

To the Addresses Listed on  
Exhibit A Attached Hereto

Re: American Airlines, Inc. (AC 1995 PTC Series)

Gentlemen:

I am \_\_\_\_\_ of AT&T Credit Holdings, Inc., a Delaware corporation (the "Owner Participant"), and have acted as counsel to the Owner Participant in connection with the transactions contemplated by that certain Refunding Agreement dated as of \_\_\_\_\_, 1995 (the "Refunding Agreement") by and among American Airlines, Inc., as Lessee, Wilmington Trust Company, as Owner Trustee, NationsBank of Georgia, National Association, as Indenture Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, CIBC, Inc., as Original Loan Participant, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, the Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender, and the Owner Participant.

Except as otherwise noted herein, all capitalized terms used herein shall have the respective defined meanings set forth in the Refunding Agreement.

In connection with my opinion herein, I have examined executed counterparts of the Refunding Agreement, the Original Participation Agreement, the Participation Agreement, the Original Trust Agreement, the Trust Agreement Amendment, the Original Tax Indemnity Agreement, the Tax Indemnity Agreement Amendment, the Original Rent Schedule and the Amended and Restated Rent Schedule (collectively, the "Agreements"). I have relied upon the representations and warranties contained in each such document and upon originals or copies, certified or otherwise identified to my satisfaction, of such other documents as I have deemed relevant to the rendering of this opinion. As to all matters of fact covered by such documents, I have relied, without independent investigation or verification, on such documents. In such examination I have assumed the genuineness of all signatures (other than that of the Owner Participant) and the authenticity of all documents submitted to me as originals and the conformity with the originals of all documents submitted to me as copies.

In rendering the opinions set forth below, I have assumed the due authorization, execution and delivery of the Agreements by each of the parties thereto other than the Owner Participant. In rendering the opinions set forth below I have also assumed (i) the registration of the Aircraft with the FAA in the name of the Owner Trustee effected on \_\_\_\_\_, 1992 is in full force and effect, (ii) the due filing and recordation under the Federal Aviation Act of 1958, as amended, of the Trust Indenture, as amended by the Amended and Restated Trust Indenture and Security Agreement, and other documents described in the opinion of Crowe & Dunlevy of even date herewith addressed to you, (iii) the absence at the time of such recording of any Liens in or upon such Aircraft, except for Liens created pursuant to the Operative Documents, and (iv) the filing of the Uniform Commercial Code financing statements and amendments thereto in the appropriate jurisdictions.

Based upon and subject to the foregoing, it is my opinion that:

1. The Owner Participant is a duly incorporated and validly existing corporation in good standing under the laws of the State of Delaware and has the requisite corporate power and authority to execute, deliver and perform its obligations under the Agreements.
2. The Agreements have been duly authorized, executed and delivered by the Owner Participant.
3. Neither the execution of and delivery by the Owner Participant of the Agreements nor the consummation by the Owner Participant of any of the transactions contemplated thereby, nor the fulfillment of or compliance with the terms and provisions of any of the Agreements that are required to be fulfilled or complied with by the Owner Participant (a) requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to, any governmental authority or agency of the Federal government of the United States; or (b) violates any law, governmental rule or regulation of the Federal Government of the United States or any governmental authority or agency thereof; or (c) results in the breach of any of the terms, conditions or provisions of the Certificate of Incorporation or By-Laws of the Owner Participant; or (d) to the best of my knowledge without independent inquiry, is in violation of any judgment or order applicable to the Owner Participant or any material provision of any indenture, mortgage, contract or other agreement to which the Owner Participant is a party or by which the Owner Participant is bound.

4. There are no actions, suits or proceedings pending or, to the best of my knowledge without independent investigation, threatened against or affecting the Owner Participant in any court or before any administrative agency or arbitrator, which, if adversely determined, would materially and adversely affect the ability of the Owner Participant to perform its obligations under the Agreements.

I am a member of the Bar of the State of Illinois, and I do not express herein any opinion as to any matters governed by any law other than the corporate laws of the State of Delaware and the Federal law of the United States. No opinion is expressed herein as to matters governed by (i) any Federal or state securities laws, (ii) any Federal or state tax laws, or (iii) the Federal Aviation Act of 1958, as amended, or by any other laws, statutes, rules or regulations relating to the acquisition, ownership, registration, leasing, use or sale of the Aircraft, the Airframe or the Engines.

This opinion is furnished by me at the request of the Owner Participant for your sole benefit, and I agree that you may rely on the opinions expressed herein. No other person or entity shall be entitled to rely on this opinion without my express written consent. This opinion shall not be published or reproduced in any manner or distributed or circulated to any person or entity without my express written consent. This opinion is limited to the matters stated herein, and no opinion is implied or may be inferred beyond the matters expressly stated herein.

Very truly yours,

Louis B. Fontana, Jr.

American Airlines, Inc., as Lessee

Wilmington Trust Company, as Owner Trustee

State Street Bank and Trust Company of Connecticut,  
National Association, as Loan Trustee and Pass Through Trustee

Sidley & Austin

The Mitsubishi Trust and Banking Corporation,  
New York Branch, as Initial Bank Lender

[CROWE &amp; DUNLEVY LETTERHEAD]

, 1995

To each of the Addressees Listed  
in Schedule A Attached Hereto

American Airlines, Inc. (AA 1995 PTC Series \_\_\_\_)

Ladies and Gentlemen:

Pursuant to Section 3(o) of the Refunding Agreement dated as of this date (the "Refunding Agreement") among American Airlines, Inc. as Lessee (the "Lessee"), AT&T Credit Holdings, Inc., (formerly known as AT&T Credit Corporation), as Owner Participant (the "Owner Participant"), Wilmington Trust Company as Owner Trustee (the "Owner Trustee"), State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, \_\_\_\_\_ as Loan Participant (the "Loan Participant"), NationsBank of Georgia, National Association, as Indenture Trustee (the "Indenture Trustee"), The Mitsubishi Trust and Banking Corporation, New York Branch, as Initial Bank Lender and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee (the "Loan Trustee"), this opinion is rendered with respect to matters arising under that portion of Title 49 of the United States Code (the "Code"), relating to the recordation of the instruments hereinafter described and the registration of the \_\_\_\_\_ aircraft with manufacturer's serial number \_\_\_\_\_ and United States nationality and registration marks \_\_\_\_\_ (the "Aircraft") pursuant to the Code. This letter confirms that we filed the following described instruments with the Federal Aviation Administration (the "FAA") today in accordance with the provisions of the Code, at the respective times noted below:

- (a) First Amendment to Trust Agreement (AA 1992 AF-\_\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Trust Agreement Amendment") between the Owner Trustee and the Owner Participant, which amended the Trust Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, was filed at : .M., C.D.T.;
- (b) Instrument of Resignation, Appointment and Acceptance dated as of this date (the "Instrument of Resignation") among the Lessee, the Owner Trustee, the Loan Trustee as assignee, the Indenture Trustee as assignor and the Loan Participant, which assigned the Trust Indenture and Security Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, between the Owner Trustee and the Indenture Trustee, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 AF-\_\_\_\_) dated \_\_\_\_\_, 1992 (the "Original Indenture") and the Indenture Trustee's interest in the Lease Agreement (AA 1992 AF-\_\_\_\_) dated as of \_\_\_\_\_, 1992, as supplemented by Lease Supplement No. 1 dated \_\_\_\_\_, 1992 (the "Lease") covering the Aircraft and the two \_\_\_\_\_ model \_\_\_\_\_ aircraft engines with manufacturer's serial numbers \_\_\_\_\_ and \_\_\_\_\_ (the "Engines"), was filed at : .M., C.D.T.;
- (c) Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Indenture") between the Owner Trustee and the Loan Trustee, which amended and restated the Original Indenture covering the Aircraft and the Engines, was filed at : .M., C.D.T.; and
- (d) First Amendment to Lease Agreement (AA 1992 AF-\_\_\_\_) (Redesignated AA 1995 PTC Series \_\_\_\_ ) dated as of this date (the "Lease Amendment") between the Owner Trustee as lessor and the Lessee, which amended the Lease covering the Aircraft and the Engines, was filed at : .M., C.D.T.

Based upon our examination of the above described instruments and of such records of the FAA as we deemed necessary to render this opinion and as were made available to us by the FAA, it is our opinion that:

- (a) the Trust Agreement Amendment was duly filed with the FAA pursuant to and in accordance with the provisions of Sections 44102 and 44103 of the Code;
- (b) the Instrument of Resignation, the Indenture and the Lease Amendment are in due form for recordation by and have been duly filed for recordation with the FAA pursuant to and in accordance with the provisions of Section 44107 of the Code;
- (c) the AC Form 8050 2 Aircraft Bill of Sale conveying title to the Aircraft to the Owner Trustee was duly recorded by the FAA on \_\_\_\_\_, pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_, the Lease (to which was attached the Original Indenture) was duly recorded by the FAA on the same date pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_ and the Original Indenture was duly recorded by the FAA on the same date pursuant to and in accordance with the provisions of Section 44107 of the Code and has been assigned FAA Conveyance No. \_\_\_\_\_ ;
- (d) the Aircraft is duly registered in the name of the Owner Trustee pursuant to and in accordance with the provisions of Sections 44102 and 44103 of the Code;
- (e) the Owner Trustee is the owner of legal title to the Aircraft, and the Aircraft and the Engines are free and clear of all Liens (as such term is defined in the Lease), except those created by the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, and the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment;

- (f) the rights of the Owner Trustee and the Lessee under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment, with respect to the Aircraft and the Engines are perfected;
- (g) the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, constitutes a duly and validly perfected first priority mortgage of the Aircraft and the Engines and a duly perfected collateral assignment of all of the right, title and interest of the Owner Trustee in, to and under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment (insofar as such collateral assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code), subject only to the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment;
- (h) none of the Original Indenture, the Lease, the Instrument of Resignation, the Indenture or the Lease Amendment is required to be filed or recorded in any other place within the United States in order to perfect the mortgage of the Aircraft and the Engines or the collateral assignment to the Loan Trustee of the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment (insofar as such collateral assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code), under the applicable laws of any jurisdiction within the United States;
- (i) no other registration of the Aircraft and no filings other than the filings with the FAA which have been effected as described above are necessary to perfect in any jurisdiction within the United States the Owner Trustee's title to and interest in the Aircraft, the rights of the parties under the Lease, as assigned by the Instrument of Resignation and amended by the Lease Amendment, or the Loan Trustee's security interest created by the Original Indenture, as assigned by the Instrument of Resignation and amended and

restated by the Indenture, in and to the Aircraft and the Engines and the collateral assignment of all of the Owner Trustee's right, title and interest in, to and under the Lease, as amended by the Lease Amendment (insofar as such assignment affects an interest covered by the recording system established by the FAA pursuant to Section 44107 of the Code); and

- (j) no authorization, approval, consent, license or order of, or registration or filing with, or the giving of notice to, the FAA Aircraft Registry is required for the valid authorization, delivery or performance of the Original Indenture, the Instrument of Resignation, the Indenture, the Lease and the Lease Amendment, except for such filings as have been effected.

No opinion is herein expressed as to: (i) laws other than the federal laws of the United States; (ii) the validity or enforceability under local law of the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture; and (iii) the recognition of the perfection of the mortgage and collateral assignment created by the Original Indenture, as assigned by the Instrument of Resignation and amended and restated by the Indenture, as against third parties in any legal proceedings outside the United States. Since our examination was limited to records maintained by the FAA Aircraft Registry, our opinion does not cover liens which are perfected without the filing of notice thereof with the FAA, such as federal tax liens, liens arising under Section 1368(a) of Title 29 of the United States Code and possessory artisans' liens, and was subject to the accuracy of FAA personnel in the filing, indexing and recording of instruments filed with the FAA and in the search for encumbrance cross-reference index cards for the Engines.

In rendering this opinion, we have relied upon the opinion of the Assistant Chief Counsel for the Aeronautical Center dated \_\_\_\_\_, 1992 (a copy of which is attached hereto) and upon the past practice of the FAA which is consistent with said opinion. Said opinion is satisfactory as to form and scope and the addressees and their counsel or special counsel are justified in relying thereon.

Although this opinion is not addressed to the General Counsel for the Lessee, special counsel for the Lessee, special counsel for the Owner Trustee or special counsel for the Owner Participant, they may rely upon it as though addressed to them.

Very truly yours,

ROBIN D. JENSON  
For the Firm

RDJ:prt

## Lessee

American Airlines, Inc.

## Owner Participant

AT&T Credit Holdings, Inc.  
(formerly known as AT&T Credit Corporation)

## Owner Trustee

Wilmington Trust Company

## Loan Trustee and Pass Through Trustee

State Street Bank and Trust Company of  
Connecticut, National Association

## Loan Participant

[To be inserted]

## Rating Agent

Moody's Investors Service Inc.  
Standard & Poor's Ratings Group

## Initial Bank Lender

The Mitsubishi Trust and Banking Corporation,  
New York Branch

June \_\_, 1995

TO THE PARTIES SET FORTH  
IN SCHEDULE A HERETO

RE: AMERICAN AIRLINES, INC.  
REFUNDING AGREEMENT (AA 1995 PTC SERIES AC)

Ladies and Gentlemen:

We are acting special as counsel to State Street Bank and Trust Company of Connecticut, National Association, individually ("SSB"), and as Pass Through Trustee (the "PASS THROUGH TRUSTEE") under the Pass Through Trust Agreement, Amended and Restated as of February 1, 1992, between American Airlines, Inc. and the Pass Through Trustee, and State Street Bank and Trust Company (the "PARENT GUARANTOR") in connection with the transactions contemplated by (i) that certain Refunding Agreement (AA 1995 PTC Series AC) dated as of June \_\_, 1995 (the "REFUNDING AGREEMENT"), among SSB, as Pass Through Trustee; American Airlines, Inc., as Lessee; AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as Owner Participant; Wilmington Trust Company, as Owner Trustee; SSB, as Loan Trustee; CIBC Inc., as Original Loan Participant; The Mitsubishi Trust Banking Corporation, New York Branch, as Initial Bank Lender; and NationsBank of Georgia, National Association, as Indenture Trustee, and (ii) the Guarantee (Pass Through Trustee) dated as of June \_\_, 1995 (the "GUARANTEE") from the Parent Guarantor to the Beneficiaries named therein. This opinion is delivered to you pursuant to Section 4(b)(ii) of the Refunding Agreement. Except as otherwise defined herein, terms used herein shall have the meanings set forth in the Refunding Agreement or in the Pass Through Trust Supplements or the Lease (as such terms are defined in the Refunding Agreement).

Our representation of SSB, the Pass Through Trustee and the Parent Guarantor has been as special counsel for the purposes stated above. As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the parties set forth in the Operative Documents and (ii) certificates delivered to us by the management of SSB

and the Parent Guarantor, and have assumed, without independent inquiry, the accuracy of those representations and certificates.

We have examined the Refunding Agreement, the Participation Agreement, the Guarantee, the Pass Through Certificates and the Pass Through Trust Documents, Certificates of the Comptroller of the Currency and the Massachusetts Commissioner of Banks relating to SSB and the Parent Guarantor, respectively, and originals, or copies certified or otherwise identified to our satisfaction, of other such records, documents, certificates, or other instruments as we have deemed necessary or advisable for the purposes of this opinion.

We have assumed the genuineness of all signatures (other than those on behalf of SSB, the Pass Through Trustee and the Parent Guarantor), the conformity to the originals of all documents reviewed by us as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document (other than on behalf of SSB, the Pass Through Trustee and the Parent Guarantor).

When an opinion set forth below is given to the best of our knowledge, or to our knowledge, or with reference to matters of which we are aware or which are known to us, or with another similar qualification, the relevant knowledge or awareness is limited to the actual knowledge or awareness of the individual lawyer in the firm that signed this opinion, the individual lawyers in the firm who have participated directly in the specific transactions to which this opinion relates or in the preparation of this opinion and the partner of the firm responsible for SSB corporate trust matters, and without any special or additional investigation undertaken for the purposes of this opinion.

Each opinion set forth below relating to the enforceability of any agreement or instrument against SSB, the Pass Through Trustee, or the Parent Guarantor, as applicable, is subject to the following general qualifications:

(i) as to any agreement to which SSB, or the Pass Through Trustee, as applicable, is a party, we assume that such agreement is the legal, valid and binding obligation of each other party (other than SSB and the Pass Through Trustee, as the case may be) thereto;

(ii) the enforceability of any obligation of SSB, the Pass Through Trustee, and the Parent Guarantor may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, marshalling

and other similar laws and rules of law affecting the enforcement generally of creditors' rights and remedies (including such as may deny giving effect to waivers of debtors' or guarantors' rights); and

(iii) the enforcement of any rights and the availability of any specific or equitable relief of any kind may in all cases be subject to an implied duty of good faith and to general principles of equity (regardless of whether such enforceability or relief is considered in a proceeding at law or in equity).

Subject to the limitation set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. The opinions expressed in paragraphs 1 through 7 below are limited solely to the internal substantive laws of the State of Connecticut and the federal laws of the United States of America, and the opinions expressed in paragraphs 8, 10, 11, 12 and 13 below are limited solely to the laws of The Commonwealth of Massachusetts and the federal laws of the United States of America. The opinion expressed in paragraph 9 below is limited solely to the internal substantive laws of the State of Connecticut and the internal substantive laws of The Commonwealth of Massachusetts. No opinion is expressed herein as to the application or effect of federal securities laws or as to the securities or so-called "Blue Sky" laws of any state or other jurisdiction. In addition, other than our opinion expressed in paragraph 1 below with respect to the citizenship of SSB, no opinion is expressed as to matters governed by Title 49 of the United States Code, or by any other law, statute, rule or regulation of the United States relating to the acquisition, ownership, registration, use, operation, maintenance, repair, replacement or sale of or the nature of the Aircraft, Airframe or Engines.

With your permission, with respect to paragraphs 1 through 5 below in connection with our opinion relating to the legality, validity and binding effect of the documents there referred to, to the extent that the laws of the State of Connecticut do not govern such documents, we have assumed that the laws of the jurisdictions whose laws govern such documents are not materially different from the internal substantive laws of the State of Connecticut.

In rendering the opinions set forth below in paragraphs 6 and 13 as to certain Connecticut and Massachusetts tax matters, respectively, we have assumed that, for federal income tax purposes, the trusts created by the Pass Through Trust Supplements are not classified as associations taxable as corporations and that the trusts created by the Pass Through Trust Supplements are grantor trusts under subpart E, Part I of Subchapter J of Chapter 1 of Subtitle A of the Internal Revenue Code of 1986, as amended.

This opinion is rendered solely for the benefit of those institutions listed on Schedule A hereto and their successors and assigns in connection with the transactions contemplated by the Refunding Agreement and may not be used or relied upon by any other person or for any other purpose.

Based on and subject to the foregoing, we are of the opinion that:

1. SSB is a national banking association duly organized and validly existing in good standing with the Comptroller of the Currency under the laws of the United States of America, is a "citizen of the United States" within the meaning of Section 40102(a)(15) of Title 49 of the United States Code, and has the corporate power and authority to execute, deliver and carry out, individually or as Pass Through Trustee, as the case may be, the terms of the Refunding Agreement, the Participation Agreement and each of the Pass Through Trust Documents;
2. each of the Refunding Agreement and the Pass Through Trust Documents has been duly authorized, executed and delivered by SSB, individually or as Pass Through Trustee, as the case may be, and, assuming the due authorization, execution and delivery by the other parties thereto and that value has been given, the Refunding Agreement, the Participation Agreement, the Pass Through Certificates and the Pass Through Trust Documents constitute the legal, valid and binding obligations of SSB, individually or as Pass Through Trustee, as the case may be, enforceable against it in such capacities in accordance with their respective terms;
3. the Pass Through Certificates issued on the date hereof have been duly authorized and duly and validly executed, authenticated, issued and delivered by SSB, as Pass Through Trustee, pursuant to the terms and provisions of, and in accordance with the requirements of, each of the Pass Through Trust Documents, as supplemented, and the holders thereof are entitled to the benefits of the Pass Through Trust Agreement, as supplemented, pursuant to which the Pass Through Certificates held by such holder were issued;
4. the execution, delivery and performance by SSB, individually or as Pass Through Trustee, as the case may be, of the Refunding Agreement and each of the Pass Through Trust Documents, the performance by it of the Participation Agreement, and the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to the Refunding Agreement and the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents have been duly authorized by all necessary corporate action on the part of SSB, individually or as Pass Through Trustee,

as the case may be, and do not and did not require any approval of the stockholders of SSB, and such execution, delivery, performance and other actions were not and are not in violation of SSB's Articles of Association or By-laws or of any indenture, mortgage, credit agreement, license or other agreement or instrument, in each case known to us, to which SSB, individually or as Pass Through Trustee, as the case may be, is a party or by which it in either capacity is bound, or of any judgment or order known to us or of any federal law, rule or regulation relating to its banking or trust powers or any Connecticut law, rule or regulation applicable to SSB in either capacity;

5. neither the execution, delivery or performance by SSB, individually or as Pass Through Trustee, as the case may be, of the Refunding Agreement, the Pass Through Certificates and the Pass Through Trust Documents, nor the performance by it of the Participation Agreement, nor the consummation of any of the transactions by SSB, individually or as Pass Through Trustee, as the case may be, contemplated thereby nor the purchase by the Pass Through Trustee of the Pass Through Equipment Notes pursuant to the Refunding Agreement or the issuance of the Pass Through Certificates pursuant to the Pass Through Trust Documents required or requires the consent or approval of, the giving of notice to, or the registration with, or the taking of any other action with respect to, any governmental authority or agency under any existing federal or Connecticut law governing the banking, fiduciary or trust powers of SSB;

6. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the State of Connecticut or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Pass Through Trustee, as the case may be, or by the Lessee, of the Pass Through Trust Documents, the Participation Agreement or the Refunding Agreement or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Pass Through Certificates pursuant to the Pass Through Trust Documents. Neither SSB, in its individual capacity or as Pass Through Trustee, as the case may be, the trusts created by the Pass Through Trust Documents, any of the Trust Property nor the Loan Trustee in its capacity as trustee, will be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee). Holders of Pass Through Certificates or persons acquiring an interest in Pass Through Certificates who are not residents of or otherwise subject to tax in

Connecticut will not be subject to any Taxes under the laws of the State of Connecticut or any political subdivision thereof as a result of purchasing, holding, owning (including receiving payments with respect to) or selling a Pass Through Certificate. No applicable Taxes are imposed under the laws of the State of Connecticut or any political subdivision thereof upon or with respect to (a) the offering, registration, reregistration, issuance, acquisition, modification, assumption, reissuance, refinancing or refunding of Pass Through Certificates or any other documents contemplated thereby and amendments and supplements thereto, (b) the payment of the principal of, or interest or premium on (including Swap, Break or Make-Whole Amount, if any), or other amounts payable with respect to, any or all of the Pass Through Certificates, (c) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by the Pass Through Trustee under the Pass Through Trust Documents or (d) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if SSB had not had its principal place of business in, and not performed, either in its individual capacity or as Pass Through Trustee, as the case may be, any or all of its administrative duties under the Pass Through Trust Documents in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the State of Connecticut;

7. to the best of our knowledge, there are no proceedings pending or threatened against or affecting SSB, either in its individual capacity or as Pass Through Trustee, as the case may be, in any court or before any governmental authority, agency or arbitration board or tribunal which, if adversely determined, individually or in the aggregate, would materially and adversely affect the trusts created by the Pass Through Trust Documents or would question the right, power and authority of SSB in either capacity to enter into or perform its obligations under the instruments referred to in paragraphs 1 and 3 above;

8. the Parent Guarantor is a Massachusetts trust company, duly organized, validly existing and in good standing with the Commissioner of Banks of the Commonwealth of Massachusetts under the laws of the Commonwealth of Massachusetts;

9. all of the shares of the outstanding capital stock of SSB are owned of record by the Parent Guarantor;

10. the Parent Guarantor has full corporate power and authority and legal right to enter into and perform its obligations under the Guarantee,

and the Guarantee has been duly authorized, executed and delivered by duly authorized officers of the Parent Guarantor and is the legal, valid and binding obligation of the Parent Guarantor enforceable against the Parent Guarantor in accordance with its terms;

11. the execution and delivery of the Guarantee and compliance by the Parent Guarantor with all of the provisions thereof do not and will not (i) contravene any law or, (ii) contravene any order known to us of any court or governmental authority or agency applicable to or binding on the Parent Guarantor or (iii) contravene the provisions of its charter documents or by-laws or the provisions of any indenture, mortgage, contract or other agreement, in each case known to us, to which it is a party or by which it or its properties may be bound or affected;

12. neither the execution nor the delivery of the Guarantee by the Parent Guarantor nor the performance by the Parent Guarantor of the Guarantee requires the consent, approval or authorization of, the giving of notice to, the recording or filing, registration or qualification with, or the taking of any other action in respect of any Massachusetts governmental authority on the part of the Parent Guarantor.

13. there are no taxes (including, without limitation, net or gross income, tangible or intangible property, net worth, capital, franchise or doing business taxes), fees or other governmental charges ("Taxes") payable under the laws of the Commonwealth of Massachusetts or any political subdivision thereof with respect to the authorization, execution and delivery by SSB, in its individual capacity or as Pass Through Trustee, as the case may be, or by the Lessee, of the Pass Through Trust Documents, the Participation Agreement or the Refunding Agreement or in connection with the authorization, execution, issuance, authentication or delivery of any or all of the Pass Through Certificates pursuant to the Pass Through Trust Documents. Neither SSB, in its individual capacity or as Pass Through Trustee, as the case may be, the trusts created by the Pass Through Trust Documents, any of the Trust Property nor the Loan Trustee in its capacity as trustee, will be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof (other than Taxes imposed on the fees received by SSB for acting as Loan Trustee or as Pass Through Trustee). Holders of Pass Through Certificates or persons acquiring an interest in Pass Through Certificates who are not residents of or otherwise subject to tax in Massachusetts will not be subject to any Taxes under the laws of the Commonwealth of Massachusetts or any political subdivision thereof as a result of purchasing, holding, owning (including receiving payments with respect to) or selling a Pass Through Certificate. No

applicable Taxes are imposed under the laws of the Commonwealth of Massachusetts or any political subdivision thereof upon or with respect to (a) the offering, registration, reregistration, issuance, acquisition, modification, assumption, reissuance, refinancing or refunding of Pass Through Certificates or any other documents contemplated thereby and amendments and supplements thereto, (b) the payment of the principal of, or interest or premium on, or other amounts payable with respect to, any or all of the Pass Through Certificates, (c) the property, or the income, earnings, receipts, or other proceeds received with respect to the property, held by the Pass Through Trustee under the Pass Through Trust Documents or (d) otherwise with respect to or in connection with the transactions contemplated by the Operative Documents or the Pass Through Trust Documents, which would not have been imposed if SSB had not performed, either in its individual capacity or as Pass Through Trustee, as the case may be, any or all of its administrative duties under the Pass Through Trust Documents in, and had not engaged in any activities unrelated to the transactions contemplated by the Operative Documents or the Pass Through Trust Documents in, the Commonwealth of Massachusetts.

This opinion is rendered to you at the request of SSB, as Pass Through Trustee, and the Parent Guarantor, pursuant to the Refunding Agreement and SSB, as Pass Through Trustee, and the Parent Guarantor have consented to the opinions expressed herein. We have discussed with SSB, as Pass Through Trustee, and the Parent Guarantor the consequences of their request for and consent to the rendering of the opinions expressed herein.

Very truly yours,

BINGHAM, DANA & GOULD

## SCHEDULE A

American Airlines, Inc., as Lessee

State Street Bank and Trust Company of Connecticut, National Association, as  
Loan Trustee

AT&T Credit Holdings, Inc. (formerly known as AT&T Credit Corporation), as  
Owner Participant

Wilmington Trust Company, as Owner Trustee

CIBC Inc., as Original Loan Participant

## AMENDMENT TO PARTICIPATION AGREEMENT

The Participation Agreement is amended as follows:

1. AMENDMENT OF RECITALS TO THE PARTICIPATION AGREEMENT. The fifth whereas clause is amended by deleting the parenthetical in clause (ii) thereof and substituting therefor the following: "(individually, as more particularly defined in the Lease referred to below, a "Certificate", and collectively, the "Certificates")".

2. AMENDMENT OF SECTION 1 OF THE PARTICIPATION AGREEMENT. Section 1(c) and all references thereto in the Participation Agreement are hereby deleted.

3. AMENDMENT OF SECTION 6 OF THE PARTICIPATION AGREEMENT. Section 6 is amended by inserting in the first sentence thereof after the words "principal of" the words ", Make-Whole Amount, if any, Swap Breakage Loss, if any,". Section 6 is further amended by deleting the word "2.05" and substituting therefor the word "2.09".

4. AMENDMENT OF SECTION 7 OF THE PARTICIPATION AGREEMENT.  
(a) Section 7(b)(2) is amended by deleting the words "any Loan Participant" from the first place where they appear and substituting therefor the words "the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender, the Pass Through Trustee (in both its individual capacity and as Pass Through Trustee), each Original Loan Participant (with respect to matters arising prior to the Refunding Date)"; by inserting following clause (b) in the last parenthetical therein the words "(c) the Pass Through Trustee (in both its individual capacity and as Pass Through Trustee) together with the Pass Through Trustee, (d) the Initial Bank Lender, together with the Initial Bank Lender, (e) any Permitted Transferee that is a Bank Lender, together with such Permitted Transferee,"; and by renaming clauses (c), (d) and (e) in such parenthetical as clauses (f), (g) and (h), respectively. Renamed clause (f) of Section 7(b)(2) is amended by inserting the word "Original" before the words "Loan Participant" each time they appear. The following sentence shall be inserted at the end of Section 7(b)(2): "No holder of a Pass Through Certificate shall be an Indemnitee for purposes hereof."

(b) Clause (i) of the first sentence of Section 7(b)(3) is amended by adding the words ", the Refunding Agreement, the Pass Through Trust Documents" after the words "the Operative Documents"; clause (vi) of the first sentence of Section 7(b)(3) is amended by inserting after the words "any Certificates or" the words "Pass Through Certificates or".

(c) Clause (iv) of Section 7(b)(4) is amended by inserting the words "or any Pass Through Trust Document" after the words "Operative Document".

(d) Clause (vi) of Section 7(b)(4) is amended by inserting the words "or Pass Through Certificates" after the word "Certificates"; and by adding at the end thereof after the words "of the Lease" the words "and any related provision of the Trust Indenture, including without limitation, Article 8 thereof (it being understood that the cancellation of any Loan Certificates in connection with a refinancing under Section 17 or 20 shall not constitute a disposition of Loan Certificates for purposes of this Section 7(b)(4)(vi))".

(e) Clause (viii) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trustee," after the words "Indenture Trustee", and by inserting the words "or the Pass Through Trust Documents," after the words "Trust Indenture".

(f) Clause (ix) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trust Documents" after the words "Operative Documents", each time they appear.

(g) Clause (x) of Section 7(b)(4) is amended by adding the words "or an event which would constitute such an Event of Default but for the requirement that notice be given or time elapse or both" after the word "Lease".

(h) Clause (xi) of Section 7(b)(4) is amended by inserting the word "Group" after the words "Related Indemnitee".

(i) Clause (xii) of Section 7(b)(4) is amended by deleting the words "9(e)" and "9(g)" and by inserting the words ", Section 12 of the Refunding Agreement" after the word "hereof."

(j) Clause (xiii) of Section 7(b)(4) is amended by adding the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(k) Section 7(b)(4)(xiv) is amended in its entirety to read as follows:

"Any Claim to the extent that such Claim relates to amounts payable by the Owner Trustee to the Loan Trustee in respect of the Equipment Notes or otherwise under the Trust Indenture with respect to (x) Make-Whole Amount, if any, or Swap Breakage Loss, if any, as the case may be, payable as a result of a redemption or purchase of any Equipment Notes pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of the Lessee or (y) an Indenture Default that does not constitute a Lease Event of Default;"

(l) Section 7(b)(4)(xv) is amended by deleting the period at the end thereof and replacing it with a semicolon.

(m) New clauses (xvi), (xvii), (xviii) and (xix) of Section 7(b)(4) are hereby added to read as follows:

"(xvi) Any Claim of the Pass Through Trustee or any Loan Participant to the extent that it is indemnified by the Lessee pursuant to the Pass Through Trust Agreement (including, without limitation, Section 7.06 thereof);

"(xvii) Any Claim that relates to any Actual Swap, Swap Transaction or Swap Participation except for Swap Breakage Losses payable by the Lessee pursuant to Section 3(c), 9 or 10 of the Lease;

"(xviii) Any Claim that relates to any cost, loss or expense in the nature of an Additional Cost, it being understood that obligations with respect to such Additional Costs are set forth in their entirety in Section 14 of the Refunding Agreement and in Section 3(c) of the Lease; and

"(xix) Any Claim to the extent attributable to the offer, sale, assignment, transfer, participation or other disposition, whether voluntary or involuntary, by any Bank Lender of any Bank Equipment Note or any other

interest in the Indenture Estate or arising under the Operative Documents (other than a transfer resulting from the exercise of any remedies provided for in Section 15 of the Lease or under the Indenture as a result of an Event of Default under the Lease or of a Bank Lender's Bank Equipment Note pursuant to Section 14(b) of the Refunding Agreement)."

(n) Section 7(b)(7) is amended by deleting the words "Section 7.01 of the Trust Indenture" and inserting in substitution therefor the words "Section 9.05 of the Trust Indenture".

(o) Section 7(b)(8) is amended by deleting the second sentence thereof.

(p) Clause (D) of Section 7(c)(2)(ix) is amended by deleting the words "any Loan Participant" after the words "Indenture Estate," and substituting the words "any Bank Lender" therefor.

(q) Section 7(c)(2)(xv) is amended by deleting it in its entirety and substituting therefor the following:

"(xv) In the case of any Bank Lender, Taxes which are imposed by any country, taxing authority or governmental subdivision thereof or therein or any international authority except to the extent that such Taxes would have been imposed had the transactions contemplated by (and the enforcement of) the Refunding Agreement and the other Operative Documents been the sole connection between such country, taxing authority, governmental subdivision or international authority and such Bank Lender; provided that the exclusion set forth in this subparagraph (xv) shall not apply to Taxes imposed by the federal government of the United States or any taxing authority thereof;"

(r) Section 7(c)(2)(xvi) is amended by deleting it in its entirety and substituting therefor the following:

"(xvi) In the case of any Bank Lender, Taxes which result from the willful misconduct or gross negligence of any Bank Lender or acts of any Bank Lender not permitted or contemplated by the Refunding Agreement and the Operative Documents;"

(s) Section 7(c)(2) is amended by adding to the end thereof the following:

"(xvii) In the case of any Bank Lender, Taxes that would not have been imposed but for the breach by any Bank Lender of any of its representations, warranties or covenants contained in the Refunding Agreement or any other Operative Document;

(xviii) In the case of any Bank Lender, Taxes imposed on or with respect to the net or gross income, capital, receipts, franchises or conduct of business by the federal government of the United States or any taxing authority of such federal government; provided that the exclusion set forth in this subparagraph (xviii) shall not apply to any such Taxes imposed on a Bank Lender that is a Treaty Lender to the extent such Taxes (x) result from a change after the date such Bank Lender becomes a Bank Lender in an applicable treaty (including the entering into of a new treaty but excluding the entry into force of the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital signed August 31, 1994), in the Code or in any other applicable law, other than, in the case of a Treaty Lender whose Applicable Jurisdiction is Norway or Austria, a change in or inclusion of an "anti-treaty shopping", "limitation of benefits" or similar provision in the Norwegian or Austrian treaty (including the entering into of a new treaty), in the Code or in any other applicable law, and (y) would have been imposed had the transactions contemplated by (and the enforcement of) the Operative Documents been the sole connection between such Bank Lender and the United States;

(xix) In the case of any Bank Lender, Taxes that result from the breach by the Indenture Trustee of any of its representations, warranties or covenants contained in this Agreement or any other Operative Document; and

(xx) In the case of any Bank Lender, Taxes to the extent such Taxes exceed the amount of Taxes that would have been imposed and indemnified against had there not been a grant of a participation in the loan evidenced by its Bank Equipment Notes by any Bank Lender."

(t) Section 7(c)(3) is amended by deleting the words "than a Loan Participant" and substituting the words "than any Bank Lender" therefor; by deleting the words "is a Loan Participant" and substituting the words "is a Bank Lender" therefor; and by deleting the words "such Loan Participant" and substituting the words "such Bank Lender" therefor.

(u) Section 7(c)(10) is amended by deleting the words "any Loan Participant" and substituting the words "any Bank Lender" therefor.

(v) Section 7(c)(11) is amended by deleting the words "each Loan Participant," and substituting the words "the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender," therefor; by inserting the words "(but shall not include the Pass Through Trustee, any Loan Participant (other than the Initial Bank Lender (so long as it is a Bank Lender) and any Permitted Transferee that is a Bank Lender), any holder of a Pass Through Certificate or any holder of a Pass Through Equipment Note)" between the words "Indenture Estate" and ", and any reference"; by deleting the words ", any Loan Participant" and substituting the words ", any Bank Lender" therefor; and by deleting the words "such Loan Participant," and substituting the words "such Bank Lender," therefor.

(w) Section 7(c) is amended by adding at the end thereof the following:

"(13) Reverse Indemnity. Notwithstanding anything to the contrary provided in this Section 7(c), each Bank Lender shall indemnify the Lessee, the Owner Participant and each of their successors and permitted assigns ("Bank Lender Indemnitees") against (1) any Taxes imposed on such Bank Lender or on payments made (or deemed made) to such Bank Lender which are paid by or asserted against the Owner Participant, the Indenture Trustee or the Lessee as payor or withholding agent, and which are not required to be indemnified by Lessee and (2) any Taxes described in Section 7(c)(2)(xvi) or (xvii) and attributable to such Bank Lender, together in each case with any related liability or expense incurred by such Bank Lender Indemnitee. Each Bank Lender and the Indenture Trustee each agrees to furnish from time to time to the Lessee or to such other Person as the Lessee may designate such duly executed and properly completed forms, state-

ments and other documentation ('Tax Forms') and assistance as may be necessary or appropriate in order to claim any reduction of or exemption from any Taxes which the Lessee may be required to indemnify against hereunder or otherwise pay, if such reduction or exemption is available to such Tax Indemnitee. Any such Tax Forms (other than Tax Forms described in Section 10(d)(iii) of the Refunding Agreement) shall be provided within 30 days after receipt of written notice from the Lessee specifying the Tax Forms to be completed. The Lessee shall have no obligation to notify any Bank Lender or the Indenture Trustee as to any Tax Forms described in Section 10(d)(iii) of the Refunding Agreement. If any Bank Lender requests compensation for any amounts for which the Lessee must indemnify such Bank Lender in accordance with this Section 7(c), such Bank Lender may be required to transfer all of its rights and obligations as a 'Bank Lender' under its Bank Equipment Notes, this Agreement, the Participation Agreement and the Indenture in accordance with Section 14(b) of the Refunding Agreement."

(x) Section 7(d) is amended by inserting the words "or any of the Pass Through Trust Documents" between the words "Operative Documents" and ".".

5. AMENDMENT OF SECTION 9 OF THE PARTICIPATION AGREEMENT.

(a) The second sentence of Section 9(c) is amended by inserting the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(b) The first sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent". The third sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent". Section 9(d) is further amended by deleting all references to the Original Loan Participant contained therein.

(c) Section 9(e) is amended by deleting it in its entirety and substituting therefor the following:

"(e) [Intentionally Omitted]."

(d) Section 9(g) is amended by deleting it in its entirety and substituting therefor the following:

"(g) [Intentionally Omitted]."

(e) Section 9(j) is amended by deleting the words "Section 3.07(b)" each time they appear and substituting therefor the words "Section 9.03".

(f) Section 9(k) is amended by deleting it in its entirety and substituting therefor the following:

(k) The Loan Trustee, and by its acceptance of an Equipment Note, each holder thereof (and each Pass Through Trustee, so long as the relevant Pass Through Trust Supplement is in effect), hereby waives to the fullest extent permitted by law the benefit of the provisions of Section 1111(b) of Title 11 of the United States Code to the extent such provisions give recourse against the Owner Trustee (in its individual capacity) and the Owner Participant on account of any amount payable as principal of, Swap Breakage Loss, if any, Make-Whole Amount, if any, and interest on the Equipment Notes. If (i) all or any part of the Trust Estate becomes the property of, or the Owner Participant becomes, a debtor subject to the reorganization provisions of the Bankruptcy Reform Act of 1978 or any successor provision, (ii) pursuant to such reorganization provisions the Owner Trustee (in its individual capacity) or the Owner Participant is required, by reason of the Owner Trustee (in its individual capacity) or the Owner Participant being held to have recourse liability to a holder of an Equipment Note, a Pass Through Trustee or the Loan Trustee, directly or indirectly, to make payment on account of any amount payable as principal, Swap Breakage Loss, if any, Make-Whole Amount, if any, or interest on the Equipment Notes and (iii) such holder, such Pass Through Trustee or the Loan Trustee actually receives any Excess Payment (as hereinafter defined) which reflects any payment by the Owner Trustee (in its individual capacity) or the Owner Participant on account of (ii) above, then such holder, such Pass Through Trustee or the Loan Trustee shall promptly refund to the Owner Trustee or the Owner Participant (whichever shall have made such payment) such Excess Payment. For purposes of this Section 9(k), "Excess Payment" means the amount by which such payment exceeds the amount

which would have been received by such Holder, such Pass Through Trustee or the Loan Trustee if the Owner Trustee (in its individual capacity) or the Owner Participant had not become subject to the recourse liability referred to in clause (ii) above. Nothing contained in this Section 9(k) shall prevent any holder of an Equipment Note, any Pass Through Trustee or the Loan Trustee from enforcing any personal recourse obligation (and retaining the proceeds thereof) of the Owner Trustee (in its individual capacity) or the Owner Participant under the Refunding Agreement, this Participation Agreement or the Trust Indenture (and any exhibits or annexes thereto).

(g) Section 9(m) of the Participation Agreement is amended by deleting it in its entirety and substituting therefor the following:

"(m) Each of the Owner Participant and the Owner Trustee hereby agrees, for the benefit of the Lessee, to cooperate with the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; provided that prior to any such change in the country of registry of the Aircraft (other than a change in country of registry that results in the registration of the Aircraft under the laws of the United States of America), the Owner Participant, the Owner Trustee and the Bank Lenders shall have received from counsel to the Lessee reasonably satisfactory to the Owner Participant, the Owner Trustee and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes an opinion to the effect that (i) the terms of any relevant sublease and the Lease are legal, valid, binding and enforceable in such country to substantially the same extent as such documents are at the time enforceable in the United States, (ii) there is no statutory, regulatory or case law in such country imposing tort liability on the owner of an aircraft not in possession thereof, or on a lender providing funds for the purchase of an aircraft, under the laws of such country other than tort liability no more extensive or onerous than that which might have been imposed on such an owner or lender under the laws of the United States or any state thereof (it being understood

that, in the event such opinion cannot be given in a form satisfactory to the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes, such opinion shall be waived if insurance reasonably satisfactory to the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes is provided by the Lessee to cover the risk of such liability), (iii) such re-registration will not result in the imposition by such country of any Taxes on the Owner Trustee, the Owner Participant or any Bank Lender for which the Lessee is not required to indemnify the Owner Participant, the Owner Trustee or any Bank Lender, as the case may be (provided that in lieu of the opinion referred to in this clause (iii) the Lessee may indemnify the Owner Participant, the Owner Trustee or the Bank Lenders, as the case may be, for any Taxes imposed by such country in connection with or relating to the transactions contemplated by the Operative Documents which would not have been imposed but for such re-registration); (iv) there exist no possessory rights in favor of the Lessee or any sublessee under the laws of such country which would, upon bankruptcy of or other default by the Lessee or any sublessee, prevent the return of the Aircraft to the Owner Trustee in accordance with and when permitted by the terms of Sections 14 and 15(a) of the Lease upon the exercise by the Owner Trustee of its remedies under Section 15(a) of the Lease; (v) it is not necessary for the Owner Participant or the Owner Trustee to qualify to do business in such jurisdiction solely as a result of the proposed re-registration; (vi) the laws of such country require fair compensation by the government of such country for the loss of use of the Aircraft in the event of the requisition by such government of the Aircraft (unless the Lessee shall have provided contemporaneously with such re-registration insurance reasonably satisfactory to the Lessor, the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes covering the risk of requisition of use of the Aircraft by the government of such country so long as the Aircraft is registered under the laws of such country); (vii) the Lessee shall have paid or made provision

for the payment of all expenses of the Owner Participant, the Owner Trustee and the Bank Lenders in connection with such change in registration; and (viii) solely in the case of the Bank Lenders, after giving effect to such change in registration, the Lien on the Aircraft and the other property included in the Indenture Estate shall continue as a valid and duly perfected lien and that all filing, recording or other action necessary to perfect and protect the Lien of the Indenture has been accomplished (or if such opinion cannot be given at the time by which the Bank Lenders have been requested to consent to a change in registration, (I) the opinion shall detail what filing, recording or other action is necessary and (II) the Bank Lenders shall have received a certificate from the Lessee that all possible preparations to accomplish such filing, recording and other action shall have been done, and such filing, recording and other action shall be accomplished and a supplemental opinion to that effect shall be delivered to the Bank Lenders on or prior to the effective date of such change in registration); and provided, further, that (x) the Owner Trustee, the Owner Participant and the Bank Lenders shall have received prior to or contemporaneously with such re-registration (1) a certificate of insurance signed by an independent insurance broker to the effect that the Aircraft is and after such re-registration will continue to be insured in such country in accordance with the requirements of Section 11 of the Lease, (2) a certificate signed by a duly authorized officer of the Lessee stating that no Event of Default exists as of the date of such certificate and no Event of Default will occur or exist upon or resulting from such re-registration, (3) evidence and assurances reasonably satisfactory to the Owner Trustee, the Owner Participant and Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes, that the aircraft and engine maintenance standards under the laws of such country of re-registration are substantially similar to those required by the central civil aviation authority of any of the United States, the United Kingdom, the Federal Republic of Germany, France, Canada or Japan, and (4) in the case of the Owner Participant only, assurances reasonably satisfac-

tory to it that the currency of such country is freely convertible into U.S. Dollars (unless the Lessee shall have made arrangements reasonably satisfactory to the Owner Participant that all payments to be made by or on behalf of the Lessee under the Operative Documents and by any sublessee under the relevant sublease will be paid in U.S. Dollars) and (y) the Lessee shall not cause the Aircraft to be registered pursuant to Section 7(a)(i) of the Lease under the laws of any foreign jurisdiction without the prior written consent of the Owner Participant if (1) the civil aviation laws of such foreign jurisdiction impose unusual requirements on registrants of civil aircraft, and (2) the Owner Participant would be required to comply with such unusual requirements upon the registration of the Aircraft in such foreign jurisdiction, and the Owner Participant's compliance therewith would result in a material burden on the Owner Participant's business activities."

(h) Section 9(n) is amended by deleting it in its entirety and substituting therefor the following:

"(n) Subject to Section 7.02 of the Trust Indenture, the Loan Trustee hereby agrees, for the benefit and at the expense of the Lessee, to cooperate with the Owner Trustee and the Lessee in effecting any foreign registration of the Aircraft pursuant to Section 7(a)(i) of the Lease; and the Lessee agrees for the benefit of the Loan Trustee that so long as any Equipment Note remains outstanding, the Lessee will not cause a change in registration unless such change is in compliance with such Section 7.02."

(i) Section 9(o) is amended by deleting it in its entirety and substituting therefor the following:

"(o) [Intentionally Omitted]."

(j) Section 9(p) is amended by deleting it in its entirety and substituting therefor the following:

"(p) The Owner Trustee shall, promptly upon receipt of monies from the Loan Trustee pursuant to Section 7.01 or 10.04 of the Trust Indenture, pay such monies to the Lessee."

(k) Section 9(q) is amended by deleting it in its entirety and substituting therefor the following:

"(q) [Intentionally Omitted]."

(l) Section 9(r) is amended by deleting it in its entirety and substituting therefor the following:

"(r) [Intentionally Omitted]."

6. AMENDMENT OF SECTION 10 OF THE PARTICIPATION AGREEMENT.  
Section 10 is amended by adding the following at the end thereof:

"The Lessee hereby consents in all respects to the execution and delivery of the Trust Indenture and to all of the terms thereof, and the Lessee acknowledges receipt of an executed counterpart of the Trust Indenture. The Owner Participant, the Owner Trustee, the Pass Through Trustee and the Loan Trustee hereby agree that the provisions of Sections 7.02 and 7.03 of the Indenture are hereby incorporated by reference herein for the benefit of the Lessee. Notwithstanding the foregoing, the Loan Trustee and the Owner Trustee hereby agree for the benefit of the Lessee that the Trust Indenture shall not be amended, modified or supplemented without the prior written consent of the Lessee if such amendment, modification or supplement would adversely affect the Lessee. The Loan Trustee and the Owner Trustee agree to furnish promptly to the Lessee copies of any amendment, modification or supplement to any Operative Document to which the Lessee is not a party."

7. AMENDMENT OF SECTION 12 OF THE PARTICIPATION AGREEMENT.  
The first sentence of Section 12 is amended by inserting the words ", the Refunding Agreement" after the words "this Agreement". Section 12 is further amended by inserting the word "Original" before the words "Loan Participant" each time they appear.

8. AMENDMENT OF SECTION 13 OF THE PARTICIPATION AGREEMENT.  
(a) The first sentence of Section 13 is amended by deleting the words "each Loan Participant" and substituting therefor the words "the Pass Through Trustee".

(b) Paragraph (A) of Section 13 is amended by inserting the words ", the Pass Through Trustee" after the words "Owner Participant", by deleting the words "the Original Loan Participant" and by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents".

(c) Clause (i) of paragraph (E) of Section 13 is amended by inserting the words "the Pass Through Trust Documents (for so long as any Pass Through Certificate is outstanding)," after the words "the Lease,"; the third to last sentence of paragraph (E) is amended by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents".

(d) Section 13 is amended by inserting a new paragraph (F) at the end thereof to read as follows:

(F) The provision of the penultimate paragraph of Section 3(b) and Sections 3(c), 17 and 22 of the Lease are hereby incorporated by reference herein for the express benefit of each Loan Participant. The Lessee shall notify the Indenture Trustee and the Owner Trustee thirty days prior to any change in the location of the chief executive office of the Lessee. In the event the Aircraft is requisitioned for use by the Government pursuant to the Civil Reserve Air Fleet Program referred to in Section 7(b)(iv) of the Lease, the Lessee shall provide the Owner Trustee and the Indenture Trustee with the name and address of the Contracting Office Representative for the Military Airlift Command of the United States Air Force for notification as required under Section 15 of the Lease.

9. AMENDMENT OF SECTION 15 OF THE PARTICIPATION AGREEMENT.

(a) Section 15(a) is amended by deleting the definitions of "Break Funding Gain", "Debt Rate", "Interest Period", "LIBOR Loan", "LIBOR Rate", "London Business Day", "Majority in Interest of Certificate Holders", "New York Business Day", "Permitted Transferee", "Short Period Rate Loan" and "Short Period Rate". Section 15(a) is further amended by inserting the following definitions in alphabetical order:

"`Actual Swap' means (x) with respect to the Initial Bank Lender, the Swap Transaction and (y) with respect to any other Bank Lender, that portion, if any, of the Swap Transaction assigned to such Bank Lender as contemplated by Exhibit N to the Refunding Agreement.

`Additional Cost' has the meaning set forth in Section 14 of the Refunding Agreement.

`Bank Lender' has the meaning set forth in the Trust Indenture.

`Break Funding Amount' for any Bank Lender means the Swap Breakage Gain or Swap Breakage Loss, as the case may be, determined with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement, and, for all of the Bank Lenders, shall be the aggregate of the Break Funding Amounts determined for each of the Bank Lenders as provided in such Exhibit N.

`Certificate' has the meaning set forth in the Lease.

`Exempt Lender' means (a) a commercial banking institution that is organized under the laws of the United States or any State thereof or the District of Columbia or (b) a commercial banking institution that (i) is organized under the laws of Australia, Austria, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Luxembourg, The Netherlands, Norway, Spain, Sweden, Switzerland or the United Kingdom and (ii) is and will, in the absence of a change in applicable United States federal tax laws after the date it acquires its Bank Equipment Notes, be entitled to a complete exemption from withholding of United States federal income taxes for all income derived by it from the transactions contemplated by the Operative Documents by reason of such income being effectively connected with the conduct of a trade or business within the United States, and that, in the case of either clause (a) or (b) above, is acting and will act for its own account and not as a conduit or agent for any other Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of the Refunding Agreement.

`Federal Aviation Act' or `Federal Aviation Act of 1958, as amended' has the meaning set forth in the Lease.

`Indenture Trustee' means the Loan Trustee (including any successor Loan Trustee) under the Trust Indenture.

`Initial Bank Lender' has the meaning set forth in the Refunding Agreement.

`Lender Liens' means Loan Participant Liens (as such term is defined in the Lease Agreement).

`Lending Office' has the meaning set forth in Section 14 of the Refunding Agreement.

`Loan Participant' has the meaning set forth in the Trust Indenture.

`Other Indentures' means and includes the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AA), dated as of June \_\_, 1995, between Wilmington Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, and the Amended and Restated Trust Indenture and Security Agreement (AA 1995 PTC Series AB), dated as of June 15, 1995, between Wilmington Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee.

`Outstanding' or `outstanding', when used with respect to any Bank Equipment Note, has the meaning set forth in the Trust Indenture.

`Pass Through Trust Agreement' means the Pass Through Trust Agreement, amended and restated as of February 1, 1992, between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`Pass Through Trust Documents' means the Pass Through Trust Agreement and the Pass Through Trust Supplements.

`Pass Through Trust Supplement' means Pass Through Trust Supplement No. 1, dated as of June 2, 1995, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`QIB' means a "qualified institutional buyer" within the meaning of Rule 144A under the Securities Act.

`Refunding Agreement' means that certain Refunding Agreement (AA 1995 PTC Series AC) dated as of June 2, 1995, among the Lessee, the Owner Participant, the Lessor, the Initial Bank Lender, the Pass Through Trustee under each Pass Through Trust Supplement, the Original Loan Participant, the Indenture Trustee and the Loan Trustee, as originally executed and as modified, supplemented or amended pursuant to the applicable provisions thereof.

`Refunding Date' has the meaning set forth in the Refunding Agreement.

`Regulatory Change' means, (a) with respect to the Initial Bank Lender, any change after the date of the Refunding Agreement, and (b) with respect to any Permitted Transferee, any change after the date such Permitted Transferee acquires its Bank Equipment Notes, in (i) in the case of a Permitted Transferee that is described in clause (a) of the definition of "Exempt Lender", United States Federal or state laws or regulations or (ii) in the case of the Initial Bank Lender or a Permitted Transferee that is described in clause (b) of the definition of "Exempt Lender", (x) United States Federal or state laws or regulations or (y) the laws or regulations of the country referred to in such clause (b) of such definition in which such Permitted Transferee is organized, as the case may be, or (iii) in the case of a Permitted Transferee that is a Treaty Lender, the laws or regulations of the Applicable Jurisdiction in which such Permitted Transferee is organized, or the adoption or making after such date of any interpretation, directive or request applying to a class of banks including the Initial Bank Lender or such Permitted Transferee, of or under any United States Federal or state laws or regulations or the laws or regulations of any such applicable country (whether

or not having the force of law) by any court or government or monetary authority charged with the interpretation or administration thereof.

`Replacement Lender' has the meaning set forth in the Refunding Agreement.

`Section 20 Refinancing' means the refinancing under the Refunding Agreement."

`Swap Breakage Gain' means, as to any Bank Lender, the amount determined as such with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement.

`Swap Breakage Loss' means, as to any Bank Lender, the amount determined as such with respect to such Bank Lender as provided in Exhibit N to the Refunding Agreement.

`Swap Counterparty' has the meaning set forth in Exhibit N to the Refunding Agreement.

`Swap Participation' means, with respect to any Bank Lender, a risk participation or swap transaction in respect of the Swap Transaction between such Bank Lender and the Initial Bank Lender covering the amortizing principal amount of such Bank Lender's Bank Equipment Notes.

`Swap Transaction' has the meaning set forth in Exhibit N to the Refunding Agreement.

`Treaty Lender' means a commercial banking institution that (a) is organized under the laws of an Applicable Jurisdiction, (b) is and will, in the absence of a change in applicable law after the date it acquires its Bank Equipment Notes, be entitled to a complete exemption from United States federal income taxes for all income derived by it from the transactions contemplated by the Operative Documents under an income tax treaty between the United States and such Applicable Jurisdiction, (c) is engaged in the active conduct of a banking business in such Applicable Jurisdiction and holds its Bank Equipment Notes or Participation, as the case may be, in connection with such banking business, (d) is acting and will act for its own account and not as a conduit or agent for any other

Person in its participation in the transactions contemplated by the Operative Documents, other than with respect to a Participation described in Section 10(f) of the Refunding Agreement and (e) in the case of a commercial banking institution whose Applicable Jurisdiction is France, would be entitled to the complete exemption described in clause (b) above under the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital signed August 31, 1994, should such treaty enter into force."

Section 15(a) is further amended by deleting the definitions of "Applicable Jurisdiction", "Indenture or Trust Indenture", "Permitted Transferee" and "Operative Documents" and replacing them with the following:

"`Applicable Jurisdiction' means Austria, France, Germany, Norway, The Netherlands or the United Kingdom.

`Indenture' or `Trust Indenture' shall have the meaning set forth in the Lease.

`Operative Documents' shall have the meaning set forth in the Lease.

`Permitted Transferee' means any Person that (a) is not a commercial air carrier; (b) is a QIB; (c) is either an Exempt Lender or a Treaty Lender; and (d) is acquiring one or more Bank Equipment Notes in an aggregate principal amount upon issuance of at least \$5,000,000."

(b) The definition of "Transaction Costs" in Section 15(a) is hereby amended by deleting the words "Section 18(a) hereof" and substituting therefor the words "the Lease".

(c) Section 15(c) is amended by deleting the words "to any party to this Agreement to its address or telex number set forth below the signature of such party at the foot of this Agreement" and substituting therefor the words "if to the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Loan Trustee, the Pass Through Trustee or the Initial Bank Lender, at their respective addresses or telex or facsimile numbers set forth below

the signatures of such parties at the foot of the Refunding Agreement".

10. AMENDMENT OF SECTION 16 OF THE PARTICIPATION AGREEMENT.

(a) Section 16(a) is amended by deleting it in its entirety and substituting therefor the following:

"(a) [Intentionally Omitted]".

(b) The second sentence of Section 16(b) is amended by deleting the words "each Loan Participant" and substituting therefor the words "the Pass Through Trustee and each Bank Lender"; and the third sentence of Section 16(b) of the Participation Agreement is deleted in its entirety.

(c) Clause (A) of Section 16(c)(i) is amended by inserting the words "and the Indenture Trustee" after the words "of the Lessee".

(d) Clause (E) of Section 16(c)(i) is amended by inserting the words ", the Pass Through Trustee (unless the Lien of the Trust Indenture is discharged)" after the first parenthetical.

(e) Clause (F) of Section 16(c)(i) is amended by inserting the words ", the Pass Through Trustee (unless the Lien of the Trust Indenture is discharged)" after the first parenthetical.

11. AMENDMENT OF SECTION 17 OF THE PARTICIPATION AGREEMENT.

(a) Section 17 is amended in its entirety to read as follows:

"SECTION 17. Optional Redemption of Certificates. (a) So long as no Event of Default shall have occurred and be continuing, the Lessee shall have the right to request the Owner Participant and the Owner Trustee to effect an optional redemption of all of the Equipment Notes issued under the Trust Indenture or an optional redemption of all of the Equipment Notes of the same maturity and bearing the same interest rate, or held by the same Bank Lender, issued under the Trust Indenture pursuant to Section 6.01(b)(2) or (3) of the Trust Indenture (in each case, such term to include the Equipment Notes originally issued under the Trust Indenture and any refunding indebtedness pursuant to this Section 17), as part of a refunding or refi-

nancing operation. Promptly on receipt of such request, the Owner Participant will negotiate promptly in good faith to conclude an agreement with the Lessee as to the terms of such refunding or refinancing operation and upon such agreement:

(i) the Lessee, the Owner Participant, the Loan Trustee, the Owner Trustee, and any other appropriate parties will enter into a financing or loan agreement (which may involve an underwriting agreement in connection with a public offering; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities, the Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent to the extent permitted by the Tax Indemnity Agreement) providing for (x) the issuance and sale by the Owner Trustee or such other party as may be appropriate to such institution or institutions on the date specified in such agreement (for the purposes of this Section 17, the "Refinancing Date") of United States dollar-denominated debt securities in an aggregate principal amount equal to the sum of the principal amount of the Equipment Notes to be redeemed, on the Refinancing Date, and, subject to clause (w) of Section 17(a)(ii), all interest accrued thereon to the Refinancing Date and (y) the application of the proceeds of the sale of such debt securities to the redemption of all such Equipment Notes on the Refinancing Date;

(ii) the Lessee and the Owner Trustee will amend the Lease such that (w) if the Refinancing Date is not a Lease Period Date, the Lessee shall on the Refinancing Date prepay that portion of the next succeeding installment of Basic Rent as shall equal the aggregate interest accrued on the Equipment Notes then being redeemed on the Refinancing Date in the event that such interest is not financed through the issuance of debt securities on the Refinancing Date, (x) Basic Rent payable in respect of the period from and after the Refinancing Date shall be recalculated to preserve the Owner Participant's Revised Net Economic Return, (y) amounts payable in respect of Stipulated Loss Value and Termination Value from and after the Re-

financing Date shall be appropriately recalculated to preserve the Owner Participant's Revised Net Economic Return, and (z) the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated as provided in Section 18;

(iii) the Owner Trustee will enter into an agreement to provide for the securing thereunder of the debt securities issued by the Owner Trustee pursuant to clause (a) of this Section 17 in like manner as the Equipment Notes issuable under the Trust Indenture and/or will enter into such amendments and supplements to the Trust Indenture as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will materially increase the liabilities of or impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant; and

(iv) unless otherwise agreed by the Owner Participant, the Lessee shall pay as Supplemental Rent on an After-Tax Basis all reasonable fees, costs, and expenses of such refunding or refinancing;

provided, however, that (v) the Lessee shall not request that less than all of the Equipment Notes issued under the Trust Indenture be redeemed as part of a refunding operation hereunder unless it simultaneously requests that all the outstanding equipment notes held in the same Pass Through Trust or by the same Bank Lender issued under the Other Indentures be simultaneously redeemed, (w) there shall be no more than two such refundings or refinancings (not including the Section 20 Refinancing), (x) if within 15 days after receipt of a request from the Lessee to effect a refunding or refinancing pursuant to this Section 17, which request specifies the proposed structural terms and the amount thereof, the Owner Participant provides the Lessee with a written notice to the effect that there will be a risk of adverse tax consequences to the Owner Participant resulting from the refunding or refinancing and, if then requested by the Lessee in writing, within 15 days after receipt of such request, the Owner Participant provides the Lessee with a written opinion of independent tax counsel selected by the Owner Partici-

pant and reasonably acceptable to the Lessee to the effect that there will be a risk of such adverse tax consequences to the Owner Participant resulting from the refunding or refinancing (other than the consequence that the refinanced loan constitutes "qualified nonrecourse indebtedness" within the meaning of Temporary Regulations Section 1.861-10T(b) for the purpose of the computation of the FSC Benefits (as defined in the Tax Indemnity Agreement)), then the Owner Trustee and the Owner Participant shall be required to effect such refunding or refinancing only if the Lessee shall have agreed to indemnify the Owner Participant against such identified adverse tax consequences in a manner reasonably satisfactory to the Owner Participant; provided, however, the parties agree that in the absence of a change in applicable laws, regulations, revenue rulings, revenue procedures or judicial precedents enacted, adopted or decided after the Delivery Date, a refinancing or refunding will not be deemed for this purpose to result in a risk of the Owner Participant not being considered the owner of the Aircraft, Airframe, any Engine or any Part for Federal or other income tax purposes, (y) no such refinancing or refunding shall require an increase in the amount of the Owner Participant's investment in the beneficial ownership of the Aircraft or shall cause the ratio of the newly issued debt to the Owner Participant's then outstanding investment in the Aircraft to be more than 4 to 1 and (z) except with respect to matters relating to taxes, no such refunding or refinancing will materially increase the liabilities of or impair the rights of the Owner Participant. In addition, neither the refunding or refinancing, nor any related adjustment of Basic Rent, shall increase or decrease the periodic earnings (as defined in Statement of Financial Accounting Standards No. 13 issued by the Financial Accounting Standards Board) of the Owner Participant for any calendar year in the period (if any) from the date of such refunding or refinancing to December 31, 1998 each by an amount greater than 10% of the amount of earnings expected for each such calendar year immediately prior to such refunding or refinancing.

"(b) The Equipment Notes, and any other debt instruments issued in connection with any refunding or refinancing operation permitted by this Section 17, shall not be subject to optional redemption by the

Owner Trustee without the consent of the Lessee, except as provided in the Trust Indenture."

12. AMENDMENT OF SECTION 18 OF THE PARTICIPATION AGREEMENT.

(a) Paragraph (a) of Section 18 is amended in its entirety to read as follows:

"(a) Calculation of Adjustments. In the event that (A) the Transaction Costs are less or more than 1.0932% of Lessor's Cost, or (B) prior to the acceptance of the Aircraft on the Delivery Date: (1) there shall have occurred a Change in Tax Law and (2) after having been advised in writing by the Owner Participant of such Change in Tax Law and the proposed adjustment to the payments of Basic Rent resulting therefrom, Lessee shall have waived its right under Section 11 of the Participation Agreement to decline to proceed with the transaction, or (C) a refinancing or refunding as contemplated by Section 17 hereof occurs, or (D) the Delivery Date is other than July 9, 1992, or (E) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Excess Payment Amount (as defined in the Original Participation Agreement (after adjustment for any Excess Payment Differential Amount) (as defined in the Original Participation Agreement) is other than \$1,202,593.33, then, in each case, the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values, Termination Values and the Excess Payment Amount with respect to the Term (i) to preserve the Owner Participant's Revised Net Economic Return and (ii) to minimize, to the greatest extent possible, consistent with the foregoing clause (i), the present value (discounted semiannually at an interest rate per annum to be supplied by the Lessee) of the payments of Basic Rent. In addition, in the event of a refinancing or refunding referred to in clause (C) of the preceding sentence, the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated in a manner consistent with the procedures specified in Section 20(c) of the Original Participation Agreement. In performing any such recalculations, the Owner Participant shall utilize the same methods and assumptions used by the Owner Participant in the calculation of the schedules included in the Amended and Restated Rent Schedule dated as of the Refunding Date, as such assumptions may be changed as a result of the event described in clause (A), (B), (C), (D) or (E) of the second

preceding sentence necessitating such recalculation or due to the prior occurrence of any such event; provided that, Basic Rent, as so recomputed, shall comply with the requirements of Section 4.02(5) and 4.07(1) of Revenue Procedure 75-28, 1975-1 C.B. 752, and shall not present a greater risk that Section 467(b)(2) of the Code would apply than the risk that Section 467(b)(2) applied prior to such recomputation, it being agreed that the requirements of clause (i) of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, shall be applied on a prospective basis.

(b) Paragraph (b) of Section 18 is amended by deleting the words "Assumed Debt Rate" in each place they appear and substituting therefor the words "Average Certificate Rate".

13. DELETION OF SECTION 20 OF THE PARTICIPATION AGREEMENT. Section 20 is hereby deleted and the words "[Intentionally Omitted]" substituted therefor.

14. AMENDMENT OF SECTION 21 OF THE PARTICIPATION AGREEMENT.

(a) The penultimate sentence of Section 21(b) is amended by inserting at the end of the sentence "or (i) in the case of such enforcement against the Bank Lenders, by consent of Bank Lenders holding a majority in principal amount of the Outstanding Bank Equipment Notes or (ii) to the extent required by the Indenture, with the consent of the Pass Through Trustee". Section 21(c) is amended by inserting the following sentence at the end thereof: "No purchaser or holder of any Equipment Note (including any Loan Participant) shall be deemed to be a successor or assign of any of the Original Loan Participants."

(b) Section 21 is hereby renumbered Section 22.

15. NEW SECTION 21 OF THE PARTICIPATION AGREEMENT. The following new Section 21 is added:

"Section 21. Successor Loan Trustee; Amendment of Pass Through Trust Documents. (a) In the event that the Loan Trustee gives notice of its resignation pursuant to Section 9.06(b) of the Trust Indenture, the Lessee may direct the Owner Trustee to appoint, and the Owner Trustee shall promptly appoint, a successor Loan Trustee.

(b) In the event that either the Owner Trustee or the Lessee obtains knowledge of the existence of any of the grounds for removal of the Loan Trustee set forth in Section 9.06 of the Trust Indenture, the Owner Trustee or the Lessee, as the case may be, shall promptly give notice (the "Removal Notice") to the other by telephone, confirmed in writing. Within five Business Days after the giving of the Removal Notice, the Lessee may direct the Owner Trustee to remove, and the Owner Trustee shall remove, the Loan Trustee and appoint a successor Loan Trustee, provided that, if within ten Business Days after the giving of the Removal Notice the Loan Trustee shall not have been removed, the Owner Trustee shall be deemed without further act to have delegated to the Lessee the right, on behalf of the Owner Trustee, to remove the Loan Trustee and appoint a successor, and, in the event of the removal of the Loan Trustee in accordance with such delegation, the Lessee agrees to appoint promptly a successor Loan Trustee.

(c) The Lessee shall not enter into any modification or amendment of any Pass Through Trust Document in any manner affecting the Pass Through Trusts created pursuant to the Pass Through Trust Supplements, without the consent of the Owner Participant, such consent not to be unreasonably withheld."

16. AMENDMENT OF SCHEDULE I TO THE PARTICIPATION AGREEMENT.

Schedule I is amended in its entirety as set forth in Schedule I to the Refunding Agreement (AA 1995 PTC Series AC).

[Included as Exhibit 4(d)(17)]

## Terms of Swap Transaction

(a) The Initial Bank Lender represents, warrants and covenants as of the Refunding Date that for all purposes of the Operative Documents, it has entered into an interest rate swap transaction (as the same may be assigned, in whole or in part, to any other Bank Lender as provided below, the "Swap Transaction") under a form of confirmation with a swap counterparty satisfactory to the Lessee (the "Swap Counterparty") governed by an ISDA Master Agreement (the "Swap Agreement") in the standard form thereof (the "Form") published in 1992 by, and incorporating by reference therein the definitions and provisions contained in the 1991 ISDA Definitions (the "Definitions") of, the International Swap Dealers Association, Inc. and having the economic terms set forth below in this Exhibit N. The Initial Bank Lender agrees that, in the event of any transfer of any Bank Equipment Notes to a Permitted Transferee pursuant to Section 10(e) of the Refunding Agreement, the Initial Bank Lender shall either (x) assign or cause to be assigned the portion of the Swap Transaction allocable to such Permitted Transferee's Bank Equipment Notes to such Permitted Transferee and shall obtain the consent of the Swap Counterparty to such assignment, it being agreed that no transfer, in whole or in part, of any such Bank Equipment Note to such Permitted Transferee shall be permitted under the Operative Documents unless such Permitted Transferee, prior to or concurrently with such transfer, shall enter into a confirmation with the Swap Counterparty conforming to the Swap Transaction in respect of such Permitted Transferee's Bank Equipment Notes or (y) extend, pursuant to arrangements reasonably satisfactory to the Lessee, the benefits of a pro rata share of the Swap Transaction with the Swap Counterparty to such Permitted Transferee as contemplated by the definition of "Swap Participation" set forth in the Refunding Agreement. The parties agree that, notwithstanding anything herein or in any Operative Document to the contrary, in the event that a Break Funding Amount is required to be calculated pursuant to this Exhibit N, notwithstanding any transfer from time to time of all or part of the Bank Equipment Notes issued on the Refunding Date, any such Break Funding Amount shall be calculated solely by reference to the economic terms set forth in this Exhibit N, and in no event shall the aggregate of such Break Funding Amounts for all Bank Lenders be calculated with respect to a Notional Amount (as such term is used in this Exhibit N) at the time greater than the outstanding aggregate principal amount of all of the Bank Equipment

Series AC

Notes subject to acceleration or being redeemed or purchased at such time. Each Bank Lender agrees that, except as provided below, it will not amend or terminate or permit to be terminated through its own action or inaction the Swap Transaction in respect of its Bank Equipment Notes in a manner that would have an adverse effect on the rights or interests of the Lessee without the prior written consent of the Lessee (such consent not to be unreasonably withheld).

(b) The Initial Bank Lender agrees, and each other Bank Lender, by becoming such, shall be deemed to have agreed, that the "Swap Breakage Gain" or "Swap Breakage Loss", with respect to any Bank Lender whose Bank Equipment Notes are redeemed (or purchased in lieu of redemption) or accelerated in circumstances under which Swap Breakage Loss or Swap Breakage Gain is incurred or received, as the case may be, by such Bank Lender, shall be determined as follows: such Bank Lender (or, in the case of a Swap Participation, the Initial Bank Lender acting on behalf of such Bank Lender) will use its best efforts to cause the Swap Counterparty to advise the Lessee and the Owner Trustee of the Market Quotation determined by such Swap Counterparty (such Swap Counterparty being the party making the determination of the Market Quotation for purposes of the definition of Market Quotation in the Swap Agreement) in connection with the termination of that portion of the Swap Transaction allocable to that portion of such Bank Lender's Secured Equipment Certificates then being so redeemed or so accelerated. If such Market Quotation is a negative number, the absolute value of the amount thereof shall be the Swap Breakage Gain attributable to such Bank Lender for all purposes of the Operative Documents; if such Market Quotation is a positive number, the amount thereof shall be the Swap Breakage Loss attributable to such Bank Lender for all purposes of the Operative Documents. Each Bank Lender acknowledges that the Lessee shall have the right to designate two of the Reference Market-makers to be used by the Swap Counterparty (such Reference Market-makers to be reasonably acceptable to the Swap Counterparty) in connection with the Swap Counterparty's determination of the Market Quotation for settlement of the Swap Transaction and agrees to use its best efforts to cause the Swap Counterparty to cooperate with the Lessee with respect to the provisions of this Exhibit N and to provide in a timely fashion such information as the Lessee may reasonably request to facilitate the quotation by such Reference Market-makers designated by the Lessee.

(c) The following terms are applicable to the Swap Transaction insofar as it is attributable to each Bank Lender:

1. Such Bank Lender shall be a Fixed Rate Payer;
2. The Notional Amount of that portion of the Swap Transaction attributable to such Bank Lender shall be an amortizing amount equal to the aggregate principal amount of such Bank Lender's Bank Equipment Notes (assuming each installment of principal of the Bank Equipment Notes required to be paid pursuant thereto is paid when due);
3. The Effective Date shall be the Refunding Date;
4. The Termination Date shall be July 2, 2021 as may be adjusted in accordance with the Modified Following Business Day convention;
5. The Payment Dates for the Floating Amount and the Fixed Amount shall be each Lease Period Date and, commencing on the first Lease Period Date to occur after the Refunding Date, and ending on the Termination Date, as may be adjusted in accordance with the Modified Following Business Day convention;
6. The Floating Rate Option shall be 6-month USD-LIBOR-BBA plus the Spread which shall be 80 basis points for calculation periods of six months, except for (i) the initial period commencing on the Effective Date and ending on the first Lease Period Date to occur after the Refunding Date and (ii) the final period commencing on the Lease Period Date immediately preceding the Termination Date and ending on the Termination Date;
7. The Fixed Rate Day Count Fraction shall be 30/360 (without any adjustment for Fixed Rate Period End Dates);
8. The Floating Rate Day Count Fraction shall be Actual/360;
9. The Fixed Rate shall be 7.53%.

10. In the event of a redemption (or purchase in lieu of redemption) of any of the Bank Equipment Notes held by such Bank Lender or an acceleration of such Secured Equipment Certificates upon an Indenture Event of Default, the portion of the Swap Transaction allocable to such Holder shall be subject to termination. In the event of a transfer of such Bank Lender's Bank Equipment Notes pursuant to Section 14(b) of the Refunding Agreement, the portion of the Swap Transaction allocable to such Bank Lender shall be subject to full termination in the event that the Replacement Bank Lender(s) does not either assume its proportionate share of the Swap Transaction or assume or enter into a Swap Participation as provided in such Section 14(b);
11. Business Days shall be New York, New York, London, England, the city and state in which the principal corporate trust office of the Owner Trustee is located (currently Wilmington, Delaware), the city and state in which the principal corporate trust office of the Loan Trustee is located (currently Boston, Massachusetts) and the city and state in which the Loan Trustee disburses funds (currently Boston, Massachusetts).

BINGHAM, DANA & GOULD  
100 Pearl Street  
HARTFORD, CONNECTICUT 06103-4507  
TEL: 203-244-3770  
FAX: 203-527-5188

June 15, 1995

American Airlines, Inc.  
P.O. Box 619616  
Dallas/Fort Worth Airport  
Texas 75261-9616

RE: AMERICAN AIRLINES, INC.  
PASS THROUGH CERTIFICATES, SERIES 1995-A

Ladies and Gentlemen:

We are acting as special counsel to State Street Bank and Trust Company of Connecticut, National Association, individually ("SSB"), and as Pass Through Trustee (the "PASS THROUGH TRUSTEE") under the Pass Through Trust Agreement, Amended and Restated as of February 1, 1992 (the "AGREEMENT"), between American Airlines, Inc. (the "COMPANY") and the Pass Through Trustee; as supplemented by Trust Supplement No. 1 dated as of June 15, 1995 ("TRUST SUPPLEMENT NO. 1"), to be entered into between the Company and the Pass Through Trustee. Pursuant to the Agreement and Trust Supplement No. 1, the Pass Through Trustee will issue Pass Through Certificates, Series 1995-A in an aggregate principal amount of up to \$65,898,000 ("PASS THROUGH CERTIFICATES"), registered with the Securities and Exchange Commission under the Securities Act of 1933, as amended (the "1933 ACT"), by a Registration Statement on Form S-3 (File No. 33-42998), as amended (the "REGISTRATION STATEMENT"). Except as otherwise defined herein, terms used herein shall have the meanings set forth in the Agreement or in Trust Supplement No. 1.

Our representation of the Pass Through Trustee has been as special counsel for the purposes stated above. As to all matters of fact (including factual conclusions and characterizations and descriptions of purpose, intention or other state of mind), we have relied entirely upon (i) the representations of the parties set forth in the Operative Documents and (ii) certificates delivered to us by the management of SSB and have assumed, without independent inquiry, the accuracy of those representations and certificates.

We have examined the Agreement, the Trust Supplement No. 1, the Pass Through Certificates, the discussion in the Supplement to the Prospectus, dated June 8, 1995, applicable to the issuance of the Pass Through Certificates constituting part of the Registration Statement (the "PROSPECTUS SUPPLEMENT") entitled "Certain Connecticut and Massachusetts Taxes," and originals, or copies certified or otherwise identified to our satisfaction, of other such records, documents, certificates, or other instruments as we have deemed necessary or advisable for the purposes of this opinion.

We have assumed the genuineness of all signatures (other than those on behalf of SSB and the Pass Through Trustee), the conformity to the originals of all documents reviewed by us as copies, the authenticity and completeness of all original documents reviewed by us in original or copy form and the legal competence of each individual executing any document (other than on behalf of SSB and the Pass Through Trustee).

Each opinion set forth below relating to the enforceability of any agreement or instrument against the Pass Through Trustee, is subject to the following general qualifications:

(i) as to any agreement to which the Pass Through Trustee, as applicable, is a party, we assume that such agreement is the legal, valid and binding obligation of each other party (other than the Pass Through Trustee) thereto;

(ii) the enforceability of any obligation of the Pass Through Trustee may be limited by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, marshalling and other similar laws and rules of law affecting the enforcement generally of creditors rights and remedies (including such as may deny giving effect to waivers of debtors' or guarantors' rights); and

(iii) the enforcement of any rights and the availability of any specific or equitable relief of any kind may in all cases be subject to an implied duty of good faith and to general principles of equity (regardless of whether such enforceability or relief is considered in a proceeding at law or in equity).

Subject to the limitation set forth below, we have made such examination of law as we have deemed necessary for the purposes of this opinion. The opinions set forth in paragraphs 1 and 2 below are based on and

limited to the Federal laws of the United States and the internal substantive laws of the States of New York and Connecticut. The opinion set forth in paragraph 3 below is based on and limited to the internal substantive laws of the State of Connecticut and the internal substantive laws of the Commonwealth of Massachusetts. Insofar as the matters referred to herein relate to the laws of the State of New York, we have relied entirely upon the opinion of even date herewith of Debevoise & Plimpton and the opinions set forth herein are subject to each of the qualifications and assumptions contained in said opinion. No opinion is expressed herein as to the application or effect of federal securities laws or as to the securities or so called "Blue Sky" laws of any state or other jurisdiction. In addition, no opinion is expressed as to matters governed by Title 49 of the United States Code, or by any other law, statute, rule or regulation of the United States relating to the acquisition, ownership, registration, use, operation, maintenance, repair, replacement or sale of or the nature of the Aircraft, Airframe or Engines.

Based on and subject to the foregoing, we are of the opinion that:

1. The execution, authentication, issue and delivery by the Pass Through Trustee of the Pass Through Certificates and Trust Supplement No. 1 have been duly authorized by the Trustee.

2. With respect to the Pass Through Certificates, when (a) Trust Supplement No. 1 shall have been duly authorized, executed and delivered by American and the Pass Through Trustee in accordance with the terms and conditions of the Agreement, and (b) the Pass Through Certificates shall have been duly executed, authenticated, issued and delivered by the Trustee and sold as contemplated by each of the Registration Statement, the Prospectus, the Prospectus Supplement, the Agreement and Trust Supplement No. 1, assuming that the terms of the Pass Through Certificates are in compliance with then applicable law, (i) the Agreement as supplemented by Trust Supplement No. 1 will constitute a valid and binding obligation of the Trustee enforceable against the Trustee in accordance with its terms, and (ii) the Pass Through Certificates will be validly issued and will be entitled to the benefits of the Agreement and Trust Supplement No. 1.

3. The discussion in the Prospectus Supplement entitled "Certain Connecticut and Massachusetts Taxes," insofar as it relates to statements of law or legal conclusions, is correct in all material respects.

We hereby consent to the filing of this opinion as an Exhibit to the Registration Statement, to the use of our name in the second sentence of the first paragraph under the caption "Certain Connecticut and Massachusetts Taxes" in the Prospectus Supplement and to the reference to us under the caption "Legal Opinions" in the Prospectus Supplement. In giving this consent, we do not thereby admit that we are in the category of person whose consent is required under Section 7 of the 1933 Act or the Rules and Regulations of the Securities and Exchange Commission.

Very truly yours,

/s/ BINGHAM, DANA & GOULD  
BINGHAM, DANA & GOULD

## AMERICAN AIRLINES, INC.

## BYLAWS

(As amended March 15, 1995)

## ARTICLE I

## Offices

The registered office of the corporation in the State of Delaware is to be located in the City of Wilmington, County of New Castle. The corporation may have other offices within and without the State of Delaware.

## ARTICLE II

## Meetings of Stockholders

Section 1. Annual Meetings. An annual meeting of stockholders to elect directors and to take action upon such other matters as may properly come before the meeting shall be held on the third Wednesday in May of each year, or on such other day, and at such time and at such place, within or without the State of Delaware, as the board of directors or the chairman of the board may from time to time fix.

Any stockholder wishing to bring a matter before an annual meeting must notify the secretary of the corporation of such fact not less than sixty nor more than ninety days before the date of the meeting. Such notice shall be in writing and shall set forth the business proposed to be brought before the meeting, shall

identify the stockholder and shall disclose the stockholder's interest in the proposed business.

Section 2. Special Meetings. A special meeting of stockholders shall be called by the secretary upon receipt of a request in writing of the board of directors, the chairman of the board or the president. Any such meeting shall be held at the principal business office of the corporation unless the board shall name another place therefor, at the time specified by the body or persons calling such meeting.

Section 3. Nominees For Election As Director. Nominations for election as director, other than those made by or at the direction of the board of directors, must be made by timely notice to the secretary, setting forth as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. If such election is to occur at an annual meeting of stockholders, notice shall be timely if it meets the requirements of such proxy rules for proposals of security holders to be presented at an annual meeting. If such election is to occur at a special meeting of stockholders, notice shall be timely if received not less than ninety days prior to such meeting.

Section 4. Notice of Meetings. Written notice of each meeting of stockholders shall be given which shall state the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise provided by law, such notice shall be mailed, postage prepaid, to each stockholder entitled to vote at

such meeting, at his address as it appears on the records of the corporation, not less than ten nor more than sixty days before the date of the meeting. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days or a new record date is fixed for the adjourned meeting, in which case a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 5. Chairman and Secretary at Meetings. At any meeting of stockholders the chairman of the board, or in his absence, the president, or if neither such person is available, then a person designated by the board of directors, shall preside at and act as chairman of the meeting. The secretary, or in his absence a person designated by the chairman of the meeting, shall act as secretary of the meeting.

Section 6. Proxies. Each stockholder entitled to vote at a meeting of stockholders may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period.

Section 7. Quorum. At all meetings of the stockholders the holders of one-third of the number of shares of the stock issued and outstanding and entitled to vote thereat,

present in person or represented by proxy, shall constitute a quorum requisite for the election of directors and the transaction of other business, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock.

If holders of the requisite number of shares to constitute a quorum shall not be present in person or represented by proxy at any meeting of stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have the power to adjourn the meeting from time to time until a quorum shall be present or represented. At any such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Voting. At any meeting of stockholders, except as otherwise provided by law or by the certificate of incorporation or by any resolution of the board of directors creating any series of Preferred Stock:

(a) Each holder of record of a share or shares of stock on the record date for determining stockholders entitled to vote at such meeting shall be entitled to one vote in person or by proxy for each share of stock so held.

(b) Directors shall be elected by a plurality of the votes cast by the holders of Common Stock, present in person or by proxy.

(c) Each other question properly presented to any meeting of stockholders shall be decided by a majority of the votes cast on the question entitled to vote thereon.

(d) Elections of directors shall be by ballot but the vote upon any other question shall be by ballot only if so ordered by the chairman of the meeting or if so requested by stockholders, present in person or represented by proxy, entitled to vote on the question and holding at least 10% of the shares so entitled to vote.

Section 9. Action By Written Consent. Any stockholder seeking to act by written consent of stockholders shall notify the secretary in writing of such intent and shall request the board of directors to fix a record date for determining the stockholders entitled to vote by consent. The notice shall specify the actions sought to be taken and, if the election of one or more individuals as director is sought, shall include as to each nominee the information required to be included in a proxy statement under the proxy rules of the Securities and Exchange Commission. Such record date shall be the fifteenth day following receipt of such request or such later date as may be specified by the requesting stockholder.

The date for determining whether an action has been consented to by the required number of stockholders shall be the thirty-first day after written consent forms were mailed to

stockholders or, if no such material is required to be mailed, the thirty-first day following the record date.

Section 10. List of Stockholders. At least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder shall be prepared. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

Section 11. Judges of Election. Whenever a vote at a meeting of stockholders shall be by ballot, or whenever written consent to action is sought, the proxies and ballots or consents shall be received and taken charge of, and all questions touching on the qualification of voters and the validity of proxies and consents and the acceptance and rejection of votes shall be decided by two judges of election. In the case of a meeting of stockholders, such judges of election shall be appointed by the

board of directors before or at the meeting, and if no such appointment shall have been made, then by the stockholders at the meeting. In the case of a solicitation of consents, such judges of election shall be appointed by the board of directors on or before the record date for determining the stockholders entitled to vote by consent, and if no such appointment shall have been made, then by the chairman of the board or the president. If for any reason either of the judges of election previously appointed shall fail to attend or refuse or be unable to serve, a judge of election in place of any so failing to attend or refusing or unable to serve, shall be appointed by the board of directors, the stockholders at the meeting, the chairman of the board or the president.

### ARTICLE III

#### Directors: Number, Election, Etc.

Section 1. Number. The board of directors shall consist of such number of members, not less than three, as the board of directors may from time to time determine by resolution, plus such additional persons as the holders of the Preferred Stock may be entitled from time to time, pursuant to the provisions of any resolution of the board of directors creating any series of Preferred Stock, to elect to the board of directors.

Section 2. Election, Term, Vacancies. Directors shall be elected each year at the annual meeting of stockholders,

except as hereinafter provided, and shall hold office until the next annual election and until their successors are duly elected and qualified. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, although less than a quorum.

Section 3. Resignation. Any director may resign at any time by giving written notice of such resignation to the board of directors, the chairman of the board, the president or the secretary. Any such resignation shall take effect at the time specified therein or, if no time be specified, upon the receipt thereof by the board of directors or one of the above-named officers and, unless specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 4. Removal. Any director may be removed from office at any time, with or without cause, by a vote of a majority of a quorum of the stockholders entitled to vote at any regular meeting or at any special meeting called for the purpose.

Section 5. Fees and Expenses. Directors shall receive such fees and expenses as the board of directors shall from time to time prescribe.

#### ARTICLE IV

##### Meetings of Directors

Section 1. Regular Meetings. Regular meetings of the board of directors shall be held at the principal office of the corporation, or at such other place (within or without the State of Delaware), and at such time, as may from time to time be prescribed by the board of directors or stockholders. A regular annual meeting of the board of directors for the election of officers and the transaction of other business shall be held on the same day as the annual meeting of the stockholders or on such other day and at such time and place as the board of directors shall determine. No notice need be given of any regular meeting.

Section 2. Special Meetings. Special meetings of the board of directors may be held at such place (within or without the State of Delaware) and at such time as may from time to time be determined by the board of directors or as may be specified in the call and notice of any meeting. Any such meeting shall be held at the call of the chairman of the board, the president, a vice president, the secretary, or two or more directors. Notice of a special meeting of directors shall be mailed to each director at least three days prior to the meeting date, provided that in lieu thereof, notice may be given to each director personally or by telephone, or dispatched by telegraph, at least one day prior to the meeting date.

Section 3. Waiver of Notice. In lieu of notice of meeting, a waiver thereof in writing, signed by the person or persons entitled to said notice whether before or after the time

stated therein, shall be deemed equivalent thereto. Any director present in person at a meeting of the board of directors shall be deemed to have waived notice of the time and place of meeting.

Section 4. Action Without Meeting. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all members of the board of directors or of such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of the board of directors or of such committee.

Section 5. Quorum. At all meetings of the board, one-third of the total number of directors shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the board of directors, except as may be otherwise specifically provided by law.

If at any meeting there is less than a quorum present, a majority of those present (or if only one be present, then that one), may adjourn the meeting from time to time without further notice other than announced at the meeting until a quorum is present. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally scheduled.

Section 6. Business Transacted. Unless otherwise indicated in the notice of meeting or required by law, the certificate of incorporation or bylaws of the corporation, any and all business may be transacted at any directors' meeting.

#### ARTICLE V

##### Powers of the Board of Directors

The management of all the property and business of the corporation and the regulation and government of its affairs shall be vested in the board of directors. In addition to the powers and authorities by these bylaws and the certificate of incorporation expressly conferred on them, the board of directors may exercise all such powers of the corporation and do all such lawful acts and things as are not by law, or by the certificate of incorporation or by these bylaws directed or required to be exercised or done by the stockholders.

#### ARTICLE VI

##### Committees

Section 1. Executive Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an executive committee, to consist of five or more members. The chief executive officer plus three other members of the executive committee shall constitute a quorum.

The executive committee shall have and may exercise all the powers and authority of the board of directors in the manage-

ment of the business and affairs of the corporation, with the exception of such powers and authority as may be specifically reserved to the board of directors by law or by resolution adopted by the board of directors.

Section 2. Audit Committee. The board of directors may, by resolution passed by a majority of the whole board, designate an audit committee, to consist of two or more members, none of the members of which shall be employees or officers of the corporation. A majority of the members of the audit committee shall constitute a quorum.

The audit committee shall from time to time review and make recommendations to the board of directors with respect to the selection of independent auditors, the fees to be paid such auditors, the adequacy of the audit and accounting procedures of the corporation, and such other matters as may be specifically delegated to the committee by the board of directors. In this connection the audit committee shall, at its request, meet with representatives of the independent auditors and with the financial officers of the corporation separately or jointly.

Section 3. Compensation/Nominating Committee. The board of directors may, by resolution passed by a majority of the whole board, designate a compensation/nominating committee, to consist of each member of the board of directors, except that no member of the compensation/nominating committee may be an employee or officer of the corporation. A majority of the

members of the compensation/nominating committee shall constitute a quorum.

The compensation/nominating committee shall from time to time review and make recommendations to the board of directors with respect to the management remuneration policies of the corporation including but not limited to salary rates and fringe benefits of elected officers, other remuneration plans such as incentive compensation, deferred compensation and stock option plans, directors' compensation and benefits and such other matters as may be specifically delegated to the committee by the board of directors.

In addition, the compensation/nominating committee shall make recommendations to the board of directors (i) concerning suitable candidates for election to the board, (ii) with respect to assignments to board committees, and (iii) with respect to promotions, changes and succession among the senior management of the corporation, and shall perform such other duties as may be specifically delegated to the committee by the board of directors.

Section 4. Committee Procedure, Seal.

(a) The executive, compensation/nominating, and audit committees shall keep regular minutes of their meetings, which shall be reported to the board of directors, and shall fix their own rules of procedures.

(b) The executive, compensation/nominating, and audit committees may each authorize the seal of the corporation to be affixed to all papers which may require it.

(c) In the absence or disqualification of a member of any committee, the members of that committee present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of such absent or disqualified member.

Section 5. Special Committees. The board of directors may, from time to time, by resolution passed by a majority of the whole board, designate one or more special committees. Each such committee shall have such duties and may exercise such powers as are granted to it in the resolution designating the members thereof. Each such committee shall fix its own rules of procedure.

## ARTICLE VII

### Indemnification

Section 1. Nature of Indemnity. The corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that he is or was or has agreed to become a director or officer of the corporation, or is

or was serving or has agreed to serve at the request of the corporation as a director or officer, of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, and may indemnify any person who was or is a party or is threatened to be made a party to such an action by reason of the fact that he is or was or has agreed to become an employee or agent of the corporation, or is or was serving or has agreed to serve at the request of the corporation as an employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with such action, suit or proceeding and any appeal therefrom, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding had no reasonable cause to believe his conduct was unlawful; except that in the case of an action or suit by or in the right of the corporation to procure a judgment in its favor (1) such indemnification shall be limited to expenses (including attorneys' fees) actually and reasonably incurred by such person in the defense or settlement of such action or suit, and (2) no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the

corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Successful Defense. To the extent that a director, officer, employee or agent of the corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 hereof or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 3. Determination That Indemnification Is Proper. Any indemnification of a director or officer of the corporation under Section 1 hereof (unless ordered by a court)

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

Section 4. Advance Payment of Expenses. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as

the board of directors deems appropriate. The board of directors may authorize the corporation's counsel to represent a director, officer, employee or agent in any action, suit or proceeding, whether or not the corporation is a party to such action, suit or proceeding.

Section 5. Procedure for Indemnification of Directors or Officers. Any indemnification of a director or officer of the corporation under Sections 1 and 2, or advance of costs, charges and expenses of a director or officer under Section 4 of this Article, shall be made promptly, and in any event within 60 days, upon the written request of the director or officer. If the corporation fails to respond within 60 days, then the request for indemnification shall be deemed to be approved. The right to indemnification or advances as granted by this Article shall be enforceable by the director or officer in any court of competent jurisdiction if the corporation denies such request, in whole or in part. Such person's costs and expenses incurred in connection with successfully establishing his right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for the advance of costs, charges and expenses under Section 4 of this Article where the required undertaking, if any, has been received by the corporation) that the claimant has not met the standard of conduct set forth in Section 1 of this Article, but the burden of

proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, its independent legal counsel, and its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 of this Article, nor the fact that there has been an actual determination by the corporation (including its board of directors, its independent legal counsel, and its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

Section 6. Survival; Preservation of Other Rights.

The foregoing indemnification provisions shall be deemed to be a contract between the corporation and each director, officer, employee and agent who serves in such capacity at any time while these provisions as well as the relevant provisions of the Delaware Corporation Law are in effect and any repeal or modification thereof shall not affect any right or obligation then existing with respect to any state of facts then or previously existing or any action, suit, or proceeding previously or thereafter brought or threatened based in whole or in part upon any such state of facts. Such a "contract right" may not be modified retroactively without the consent of such director, officer, employee or agent.

The indemnification provided by this Article VII shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 7. Insurance. The corporation shall purchase and maintain insurance on behalf of any person who is or was or has agreed to become a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him or on his behalf in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article, provided that such insurance is available on acceptable terms, which determination shall be made by a vote of a majority of the entire board of directors.

Section 8. Savings Clause. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless

indemnify each director or officer and may indemnify each employee or agent of the corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

#### ARTICLE VIII

##### Officers

Section 1. General. The officers of the corporation shall be the chairman of the board, president, one or more vice presidents (including executive vice presidents and senior vice presidents), a secretary, a controller, a treasurer, and such other subordinate officers as may from time to time be designated and elected by the board of directors.

Section 2. Other Offices. The chairman of the board shall be chosen by the board of directors from among their own number. The other officers of the corporation may or may not be directors.

Section 3. Term. Officers of the corporation shall be elected by the board of directors and shall hold their respective offices during the pleasure of the board and any officer may be removed at any time, with or without cause, by a vote of the

majority of the directors. Each officer shall hold office from the time of his appointment and qualification until the next annual election of officers or until his earlier resignation or removal except that upon election thereof a shorter term may be designated by the board of directors. Any officer may resign at any time upon written notice to the corporation.

Section 4. Compensation. The compensation of officers of the corporation shall be fixed, from time to time, by the board of directors.

Section 5. Vacancy. In case any office becomes vacant by death, resignation, retirement, disqualification, removal from office, or any other cause, the board of directors may abolish the office (except that of president, secretary and treasurer) or elect an officer to fill such vacancy.

## ARTICLE IX

## Duties of Officers

Section 1. Chairman of the Board, President. The chairman of the board shall be the chief executive officer of the corporation. He shall have general supervisory powers over all other officers, employees and agents of the corporation for the proper performance of their duties and shall otherwise have the general powers and duties of supervision and management usually vested in the chief executive officer of a corporation. The president shall have the general powers and duties of supervision and management of the corporation as the chairman shall assign. The chairman of the board shall preside at and act as chairman of all meetings of the board of directors. The president shall preside at any meeting of the board of directors in the event of the absence of the chairman of the board. The offices of chairman of the board and president may be filled by the same individual.

Section 2. Vice Presidents. Each vice president shall perform such duties as shall be assigned to him by the board of directors, the chairman of the board or the president.

Section 3. Secretary. The secretary shall record all proceedings of the meetings of the corporation, its stockholders and the board of directors and shall perform such other duties as shall be assigned to him by the board of directors, the chairman of the board, or the president. Any part or all of the duties of

the secretary may be delegated to one or more assistant secretaries.

Section 4. Controller. The controller shall perform such duties as shall be assigned to him by the chairman of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the controller may be delegated to one or more assistant controllers.

Section 5. Treasurer. The treasurer shall, under the direction of the chairman of the board, the president or such vice president as may be responsible for financial matters, have the custody of the funds and securities of the corporation, subject to such regulations as may be imposed by the board of directors. He shall deposit, or have deposited, all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated by the board of directors or as may be designated by the appropriate officers pursuant to a resolution of the board of directors. He shall disburse, or have disbursed, the funds of the corporation as may be ordered by the board of directors or properly authorized officers, taking proper vouchers therefor. If required by the board of directors he shall give the corporation bond in such sum and in such form and with such security as may be satisfactory to the board of directors, for the faithful performance of the duties of his office. He shall perform such other duties as shall be assigned to him by the board of directors, the chairman

of the board, the president or such vice president as may be responsible for financial matters. Any or all of the duties of the treasurer may be delegated to one or more assistant treasurers.

Section 6. Other Officers' Duties. Each other officer shall perform such duties and have such responsibilities as may be delegated to him by the superior officer to whom he is made responsible by designation of the chairman of the board or the president.

Section 7. Absence or Disability. The board of directors or the chairman of the board may delegate the powers and duties of any absent or disabled officer to any other officer or to any director for the time being. In the event of the absence or temporary disability of the chairman of the board, the president shall assume his powers and duties while he is absent or so disabled.

#### ARTICLE X

##### Stock

Section 1. Certificates. Certificates of stock of the corporation shall be signed by, or in the name of the corporation by, the chairman of the board, the president or a vice president, and by the treasurer or an assistant treasurer, or the secretary or an assistant secretary of the corporation. If such certificate is countersigned, (1) by a transfer agent other than

the corporation or its employee, or (2) by a registrar other than the corporation or its employee, then any other signature on the certificate may be a facsimile. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 2. Transfers. Shares of stock shall be transferable on the books of the corporation by the holder of record thereof in person or by his attorney upon surrender of such certificate with an assignment endorsed thereon or attached thereto duly executed and with such proof of authenticity of signatures as the corporation may reasonably require. The board of directors may from time to time appoint such transfer agents or registrars as it may deem advisable and may define their powers and duties. Any such transfer agent or registrar need not be an employee of the corporation.

Section 3. Record Holder. The corporation may treat the holder of record of any shares of stock as the complete owner thereof entitled to receive dividends and vote such shares, and accordingly shall not be bound to recognize any interest in such shares on the part of any other person, whether or not it shall have notice thereof.

Section 4. Lost and Damaged Certificates. The corporation may issue a new certificate of stock to replace a certificate alleged to have been lost, stolen, destroyed or mutilated upon such terms and conditions as the board of directors may from time to time prescribe.

Section 5. Fixing Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action.

#### ARTICLE XI

##### Miscellaneous

Section 1. Fiscal Year. The fiscal year of the corporation shall begin upon the first day of January and terminate upon the 31st day of December, in each year.

Section 2. Stockholder Inspection of Books and Records. The board of directors from time to time shall deter-

mine whether and to what extent and at what times and places and under what conditions and regulations the accounts and books of the corporation, or any of them, shall be open to the inspection of a stockholder and no stockholder shall have any right to inspect any account, book or document of the corporation except as conferred by statute or authorized by resolution of the board of directors.

Section 3. Seal. The corporate seal shall be circular in form and have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware."

## ARTICLE XII

## Amendments to Bylaws

Subject to the provisions of any resolution of the board of directors creating any series of Preferred Stock, the board of directors shall have power from time to time to make, alter or repeal bylaws, but any bylaws made by the board of directors may be altered, amended or repealed by the stockholders at any annual meeting of stockholders, or at any special meeting provided that notice of such proposed alteration, amendment or repeal is included in the notice of such special meeting.