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: May 13, 1994

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 May 13, 1994, to the Prospectus, dated June 5, 1992, relate to the offering of the Company's Pass Through Certificates, Series 1994-A.

4(a)(5)	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.(1)
4(b)(7)	Form of Amended and Restated Trust Indenture and Security Agreement, relating to the Boeing 767-323ER Aircraft.
4(b)(8)	Form of Amended and Restated Trust Indenture and Security Agreement relating to a Boeing 757-223 Aircraft.
4(b)(9)	Form of Amended and Restated Trust Indenture and Security Agreement relating to a Boeing 757-223 Aircraft.
4(b)(10)	Form of Equipment Note relating to the Boeing 767-323ER Aircraft.
4(b)(11)	Form of Equipment Note relating to a Boeing 757-223 Aircraft.
4(b)(12)	Form of Equipment Note relating to a Boeing 757-223 Aircraft.

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(1) Separate Trust Supplements will be entered into with respect to each Series of Pass Through Certificates. Except for differences in designations, dollar amounts, interest rates, percentages, final distribution dates and other similar items, there are no material details in which the Trust Supplement not filed herewith differs from the corresponding Exhibit for the form of such document.

4(c)(7)	Form of Participation Agreement relating to the Boeing 767-323ER Aircraft.
4(c)(8)	Form of Amendment to Participation Agreement relating to the Boeing 767-323ER Aircraft.
4(c)(9)	Form of Participation Agreement relating to a Boeing 757-223 Aircraft.
4(c)(10)	Form of Amendment to Participation Agreement relating to a Boeing 757-223 Aircraft.
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4(c)(12)	Form of Amendment to Participation Agreement relating to a Boeing 757-223 Aircraft.
4(d)(6)	Form of Trust Agreement relating to the Boeing 767-323ER Aircraft.
4(d)(7)	Form of First Amendment to Trust Agreement relating to the Boeing 767-323ER Aircraft.
4(d)(8)	Form of Trust Agreement relating to a Boeing 757-223 Aircraft.
4(d)(9)	Form of First Amendment to Trust Agreement relating to a Boeing 757-223 Aircraft.
4(d)(10)	Form of Trust Agreement relating to a Boeing 757-223 Aircraft.
4(d)(11)	Form of First Amendment to Trust Agreement relating to a Boeing 757-223 Aircraft.
4(e)(7)	Form of Lease Agreement relating to the Boeing 767-323ER Aircracft.
4(e)(8)	Form of First Amendment to Lease Agreement relating to the Boeing 767-323ER Aircraft.
4(e)(9)	Form of Lease Agreement relating to a Boeing 757-223 Aircraft.
4(e)(10)	Form of First Amendment to the Lease Agreement relating to a Boeing 757-223 Aircraft.
4(e)(11)	Form of Lease Agreement relating to a Boeing 757-223 Aircraft.

4(e)(12)	Form of First Amendment to the Lease Agreement relating to a Boeing 757-223 Aircraft.
4(f)(4)	Form of Refunding Agreement relating to the Boeing 767-323ER Aircraft.
4(f)(5)	Form of Refunding Agreement relating to a Boeing 757-223 Aircraft.
4(f)(6)	Form of Refunding Agreement relating to a Boeing 757-223 Aircraft.

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: May 26, 1994

By /s/ CHARLES D. MARLETT

Charles D. MarLett
Corporate Secretary

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EXHIBIT 4(a)(5)

==========

AMERICAN AIRLINES, INC.

and

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

Trust Supplement No. A1

Dated as of May 26, 1994

to

PASS THROUGH TRUST AGREEMENT,

Amended and Restated as of February 1, 1992

==========

This Trust Supplement No. A1, dated as of May 26, 1994 (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, 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 Equipment Notes issued by such Owner Trustees of the same tenor as the Certificates issued hereunder and shall hold such 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 1.01. Declaration of Trust. The Trustee hereby declares the creation of this Trust (the "1994-A1 Trust") for the benefit of the Certificateholders, and the initial Certificateholders as the grantors of the 1994-A1 Trust, by their respective acceptances of the Certificates, join in the creation of this 1994-A1 Trust with the Trustee.

ARTICLE II

THE CERTIFICATES

Section 2.01. 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 1994-A1" (hereinafter defined as the "Series 1994-A1 Certificates"). Each Certificate represents a Fractional Undivided Interest in the 1994-A1 Trust created hereby. The terms and conditions applicable to the Series 1994-A1 Certificates are as follows:

(a) The aggregate principal amount of the Series 1994-A1 Certificates that shall be authenticated and delivered under the Agreement (except for Series 1994-A1 Certificates authenticated and delivered pursuant to Sections 3.03, 3.04 and 3.05 of the Basic Agreement) upon their initial issuance is $1,223,391.

(b) The Cut-off Date is July 22, 1994.

(c) The Regular Distribution Dates with respect to any payment of Scheduled Payments means each May 26 and November 26, commencing November 26, 1994, until payment of all of the Scheduled Payments to be made under the 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 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, August 16, 1994 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 1994-A1 Certificates shall be Book-Entry Certificates and shall be in the form attached hereto as Exhibit A. The Series 1994-A1 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 1994-A1 Certificates shall be used to purchase the Equipment Notes specified below:

Equipment Note	Original Principal Amount	Maturity
1994 PTC Series AA-1	$349,283	November 26, 1994
1994 PTC Series AB-1	392,554	November 26, 1994
1994 PTC Series AC-1	481,554	November 26, 1994

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

Aircraft	U.S. Registration Number	Manufacturer's Serial Number
1 Boeing 767-323ER	N371AA	25198
1 Boeing 757-223	N647AM	24605
1 Boeing 757-223	N648AA	24606

(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 (1994 PTC Series AA), dated as of May 26, 1994;

Amended and Restated Trust Indenture and Security Agreement (1994 PTC Series AB), dated as of May 26, 1994;

Amended and Restated Trust Indenture and Security Agreement (1994 PTC Series AC), dated as of May 26, 1994;

(ii) Each of the following Leases:

Lease Agreement (1992 MF-1), dated as of May 15, 1992, as amended by the First Amendment to Lease Agreement (1994 PTC Series AA) dated as of May 26, 1994;

Lease Agreement (1991 AF-1), dated as of June 25, 1991, as amended by the First Amendment to Lease Agreement (1994 PTC Series AB) dated as of May 26, 1994;

Lease Agreement (1991 AF-2), dated as of June 25, 1991, as amended by the First Amendment to Lease Agreement (1994 PTC Series AC) dated as of May 26, 1994;

(iii) Each of the following Owner Trustee purchase agreement assignments:

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

Owner Trustee's Purchase Agreement Assignment (AA 1991 AF-1), dated as of June 25, 1991;

Owner Trustee's Purchase Agreement Assignment (AA 1991 AF-2), dated as of June 25, 1991;

(iv) Each of the following participation agreements:

Participation Agreement (AA 1992 MF-1), dated as of May 15, 1992, as amended by the Amendment to Participation Agreement (AA 1994 PTC Series AA) dated as of May 26, 1994;

Participation Agreement (AA 1991 AF-1), dated as of June 25, 1991, as amended by the Amendment to Participation

Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994;

Participation Agreement (AA 1991 AF-2), dated as of June 25, 1991, as amended by the Amendment to Participation Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994;

(v) Each of the following trust agreements:

Trust Agreement (AA 1992 MF-1), dated as of May 15, 1992, as amended by the First Amendment to Trust Agreement (AA 1994 PTC Series AA), dated May 26, 1994;

Trust Agreement (AA 1991 AF-1), dated as of June 25, 1991, as amended by the First Amendment to Trust Agreement (AA 1994 PTC Series AB), dated May 26, 1994;

Trust Agreement (AA 1991 AF-2), dated as of June 25, 1991, as amended by the First Amendment to Trust Agreement (AA 1994 PTC Series AC), dated May 26, 1994;

(vi) Each of the following refunding agreements:

Refunding Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994.

Refunding Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994.

Refunding Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994.

(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 0f 1986, as amended (each an "ERISA Plan") or by any other entity whose assets constitute assets of an ERISA Plan. The purchase by any person of any Pass Through Certificate constitutes a representation by such person to the Company, the Owner Participants, the Owner Trustees, the Loan Trustees and the Trustee that 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.

ARTICLE III
AMENDMENTS TO THE BASIC AGREEMENT

Section 3.01 Amendments to the Basic Agreement. (a) Section 1.01. For the purpose of the 1994-A1 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 than 20 days" and substituting therefor "August 16, 1994."

(b) Section 4.02(c). For the purpose of the 1994-A1 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 10.01. For the purpose of the 1994-A1 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 4.01. 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 5.01. 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 5.02. 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 5.03. Governing Law. THIS TRUST SUPPLEMENT AND THE SERIES 1994-A1 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 5.04 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:

CUSIP NO.

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 1994-A1 PASS THROUGH TRUST

Pass Through
Certificate, Series 1994-A1

Final Distribution Date: _____

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 CERTIFIES THAT _____, for value received, is the registered owner of a $ _____ (_____ _____ dollars) Fractional Undivided Interest in the American Airlines 1994-A1 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

_____

* 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.

amended and restated as of February 1, 1992 (the "Basic Agreement"), as supplemented by Trust Supplement No. A1 thereto, dated as of May 26, 1994 (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 1994-A1" (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 Equipment Notes (the "Equipment Notes"). Each issue of 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 May 26 and November 26 (a "Regular Distribution Date"), commencing on November 26, 1994, 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 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 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 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. The purchase by any person of any Pass Through Certificate constitutes a representation by such person to the Company, the Owner Participants, the Owner Trustees, the Loan Trustees and the Trustee that 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.

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
1994-A1 PASS THROUGH TRUST

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

By: _____
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.

EXHIBIT B

FORM OF LETTER OF REPRESENTATIONS

EXHIBIT 4(b)(7)

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AMENDED AND RESTATED TRUST INDENTURE

AND SECURITY AGREEMENT

(AA 1994 PTC Series AA)

dated as of May 26, 1994

between

MERIDIAN 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. N371AA
Manufacturer's Serial No. 25198

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AMENDED AND RESTATED TRUST INDENTURE
AND SECURITY AGREEMENT

This AMENDED AND RESTATED TRUST INDENTURE AND SECURITY AGREEMENT (AA 1994 PTC Series AA), dated as of May 26, 1994, between MERIDIAN TRUST COMPANY, a Pennsylvania trust company, 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 First Security Bank of Utah, N.A. as Indenture Trustee (the "Indenture Trustee") entered into the Trust Indenture and Security Agreement (AA 1992 MF-1) dated as of May 15, 1992 (the "Original Indenture");

WHEREAS, the Owner Trustee and the Indenture Trustee entered into Trust Agreement and Indenture Supplement No. 1 (the "Supplement") dated May 28, 1992 to the Original Indenture;

WHEREAS, the Original Indenture and the Supplement were recorded with the Federal Aviation Administration on May 28, 1992 and were assigned Conveyance No. U61707;

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;

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, premium, 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 herein and in the Operative Documents to which it is a party for the benefit of the Loan Participants, 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 N371AA and Manufacturer's serial number 25198 (including the Airframe and the two General Electric CF6-80C2B6 Engines with Manufacturer's serial numbers 695-509 and 695-510 (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) 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 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, (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 20 of the

Lease, (E) to retain all rights with respect to insurance maintained for its own account which Section 11(e) of the Lease specifically confers on the "Lessor", 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 separately granted the Loan Trustee 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 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) or the Loan Participants 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 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;

provided, however, that the Owner Trustee shall have no obligation to execute and deliver or cause to be executed or delivered to the Loan Trustee any such instrument or document if such execution and delivery would result in the imposition of additional burdensome liabilities on the Owner Trustee or the Owner Participant or would result in a material burden on the Owner Participant's business activities, unless the Owner Trustee or the Owner Participant, as the case may be, is indemnified to its reasonable satisfaction against any losses, liabilities and expenses incurred in connection with such execution and delivery pursuant to any Operative Document.

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" with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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.

"Agent" means any Paying Agent or Registrar.

"Aircraft" shall have the meaning specified therefor in the Lease.

"Airframe" shall have the meaning specified therefor in the Lease.

"Bankruptcy Code" shall mean the United States Bankruptcy Code of 1978, 11 U.S.C. Sections 101-1330, as amended.

"Basic Rent" shall have the meaning specified therefor in the Lease.

"Business Day" shall have 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" shall have the meaning specified therefor in Section 2.03.

"Debt" shall mean 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" shall have the meaning specified therefor in Section 2.08.

"Defaulted Interest" shall have the meaning specified therefor in Section 2.08.

"Delivery Date" shall have the meaning specified therefor in the Lease.

"Engine" shall have the meaning specified therefor in the Lease.

"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.

"Event of Loss" shall have the meaning specified therefor in the Lease.

"Excepted Property" means (i) indemnity or other payments paid or payable by the Company, as lessee under the Lease, 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, (iii) proceeds of insurance maintained in conformity with Section 11(e) 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, as lessee under the Lease, payable under the Tax Indemnity Agreement, (v) fees payable to the Owner Trustee pursuant to Section 7(b) of the Participation Agreement, (vi) any right to restitution from the Company, as lessee under the Lease, in respect of any determination of the invalidity of any Excepted Property, (vii) 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) to the proceeds of the foregoing and (viii) any right to demand, collect or otherwise receive and enforce the payment of any amount described in clauses (i) through (vii) 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" means the Federal Aviation Act of 1958, as amended.

"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" shall have the meaning specified therefor in the Granting Clause hereof.

"Indenture Event of Default" shall have 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" shall mean 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).

"Installment Equipment Note" shall mean an Equipment Note identified in Exhibit B-1 hereto.

"Installment Payment Amount" means, with respect to each Installment 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 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, 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.

"Instrument of Resignation" shall have the meaning specified therefor in the Lease.

"Interest Payment Date" means each May 26 and November 26, commencing November 26, 1994.

"Lease" means the Lease Agreement dated as of May 15, 1992 (AA 1992 MF-1) (redesignated AA 1994 PTC Series AA), which Lease, together with Lease Supplement No. 1 thereto dated May 28, 1992, was recorded by the Federal Aviation Administration on May 28, 1992 and assigned Conveyance No. U61706, 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" shall have the meaning specified for the term "Event of Default" in the Lease.

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

"Lease Supplement" shall have the meaning specified therefor in the Lease.

"Lease Termination Date" shall have the meaning specified for the term "Termination Date" in the Lease.

"Lessor's Liens" shall have 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, 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 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 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 Equipment Note plus accrued but unpaid interest on such Equipment Note (but not any accrued interest in default).

"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, the Instrument of Resignation 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) Prokop & Prokop, (y) Mudge Rose Guthrie Alexander & Ferdon or (z) 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 the 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 Mission Funding Epsilon, a California corporation, and, to the extent permitted by Article VIII of the Trust Agreement and Section 16(c) of the Participation Agreement, its permitted successors and assigns.

"Owner Participant Guarantor" shall mean any provider of any Owner Participant Guaranty.

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

"Owner Trustee" means Meridian 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" shall have the meaning specified therefor in the Lease.

"Parts" shall have 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 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 May 26, 1994, each between the Company and the Pass Through Trustee, pursuant to which the Pass Through Trustee holds any 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.

"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" shall have the meaning specified therefor in the Lease.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Premium Termination Date" means, with respect to each Equipment Note, the date set forth below next to the maturity date of such Equipment Note:

Maturity Date	Premium Termination Date
November 26, 1994	November 26, 1994
November 26, 1995	November 26, 1995
November 26, 1996	November 26, 1996
November 26, 2011	May 26, 2006
May 26, 2016	May 26, 2016

"Purchase Agreement" shall have the meaning specified therefor in the Lease.

"Purchase Agreement Assignment" shall have 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" shall have 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" shall have the meaning specified therefor in Section 2.03.

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

"Related Indemnitee Groups" shall have the meaning specified therefor in Section 7(b) of the Participation Agreement.

"Rent" shall have the meaning specified therefor in the Lease.

"Rent Schedule" shall have the meaning specified therefor in the Lease.

"Replacement Airframe" shall have the meaning specified therefor in the Lease.

"Replacement Engine" shall have the meaning specified therefor in the Lease.

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

"Responsible Officer", with respect to the Owner Trustee or the Loan Trustee, shall mean 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.

"Section 1110 Period" shall mean the longer of (i) the 60-day period referred to in Section 1110(a)(1) of the Bankruptcy Code (as such period may be extended pursuant to Section 1110(b), with the consent of the Loan Trustee) and (ii) the period (not to exceed 180 days) during which a challenge by any Person other than the Owner Trustee, the Owner Participant or the Owner Participant Guarantor to the applicability of Section 1110 of the Bankruptcy Code to the Aircraft and the Lease is being contested by the Owner Trustee, the Owner Participant or the Owner Participant Guarantor in appropriate judicial proceedings.

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

"Special Purchase Price" shall have 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" shall have the meaning specified therefor in the Lease.

"Stipulated Loss Value" shall have the meaning specified therefor in the Lease.

"Supplemental Rent" shall have the meaning specified therefor in the Lease.

"Tax Indemnity Agreement" shall have the meaning specified therefor in the Lease.

"Termination Value" shall have the meaning specified therefor in the Lease.

"Treasury Rate" means, with respect to each 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 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 Equipment Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such 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 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 Equipment Note to be redeemed, the date which follows the Redemption Date by a period equal to the Remaining Weighted Average Life of such Equipment Note. For purposes hereof, "Remaining Weighted Average Life" means, for any 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 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 Equipment Note.

"Trust Agreement" shall have 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" shall have 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 1994 PTC Series AA), as the same may from time to time be supplemented, amended or modified.

"Trustee's Liens" shall have 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 1994 Equipment Notes, Series AA. The Equipment Notes shall be substantially in the form set forth in Exhibit A 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, shall be payable in full on the Maturity Date for such Equipment Note. The principal of each Installment Equipment Note shall be payable in installments, on each Installment Payment Date and the Maturity Date, in amounts equal to the Installment Payment Amount for such Installment Payment Date. Each Equipment Note shall be issued to the Pass Through Trustee under the Pass Through Trust Agreement as set forth in Exhibit B-2 hereto.

(b) The Equipment Notes shall be issued in registered form only. The Equipment Notes shall be issued in denominations of $1,000 and integral multiples thereof except that one Equipment Note of each maturity may be in an amount

that is not an integral multiple of $1,000. 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, premium, if any, 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 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-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. 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.

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, premium, if any, 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 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, premium, if any, 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; provided, however, that 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. Principal of Equipment Notes payable on the Maturity Date of such Equipment Note and premium, 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.

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, premium, if any, and interest on all Equipment Notes held by such Loan Participant and all other sums payable to such Loan Participant hereunder, under such Equipment Notes and under the Participation 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 clause (1) or (2) below:

(1) The Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Person in whose name such 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 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 Note 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 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.

(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 and the Loan Trustee, all money held by the Paying Agent for the payment of principal of, premium, if any, or interest on, the Equipment Notes payable to the Loan Participants hereunder, 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.

Meridian 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 Meridian 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 Meridian 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 Meridian Trust Company shall be released from all further duties and obligations hereunder, without prejudice to any claims against Meridian Trust Company or such predecessor Owner Trustee for any default by Meridian 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 third 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, 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; and

third, the balance, if any, thereof remaining after amounts specified in clauses first and second 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) hereof or Section 16(a) of the Participation Agreement, 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, premium (to the extent received by the Loan Trustee from the Company as Supplemental Rent), if any, 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; and

third, 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 the 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. Any portion of any such amount referred to in the preceding sentence which is not required to be so paid to the Company pursuant to the Lease, solely because a Lease Event of Default shall have occurred, shall be held by the Loan Trustee as security for the obligations of the Company under the Lease and at such

time as there shall not be continuing any Lease Event of Default or such earlier time as shall be provided for in the Lease, such portion shall be paid to the Owner Trustee to be held or distributed in accordance with the terms of the Lease, unless the Loan Trustee (as assignee from the Owner Trustee of the Lease) shall have theretofore declared the Lease to be in default pursuant to Section 15 thereof, in which event such portion shall be distributed forthwith upon such declaration in accordance with the provisions of Section 3.05 hereof.

Section 3.05. Payments During Continuance of Indenture Event of Default. 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, premium

payable by the Owner Trustee pursuant to Section 6.01(b)(2), if any, and premium, if any, to the extent received from the Company as Supplemental Rent, 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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 183 days during which time the Equipment Notes could, but shall not, have been accelerated pursuant to Section 8.02, such amounts 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) 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 either Section 7(b) or 7(c) of the Participation Agreement directly to the Person entitled thereto.

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, premium and any other amount due under the Equipment Notes;

(b) it will not directly or indirectly create, incur, assume or 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. 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 the 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 Equipment Note redeemed prior to the Premium Termination Date applicable to such Equipment Note, a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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 first Business Day following the Lease Termination Date by three days.

(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 Equipment Note redeemed or purchased prior to the Premium Termination Date applicable to such Equipment Note (unless such redemption or purchase is pursuant to Section 6.02), a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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 upon at least 30 days' prior irrevocable notice to the Loan Trustee, 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 are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 Equipment Note redeemed prior to the Premium Termination Date applicable to such Equipment Note, a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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.

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, but without a premium. 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, 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 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. Upon surrender of any such 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, premium, if any, 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 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 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 (other than the "true" lease assumption);

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 premium, if any, 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 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

(d) 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

(e) 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

(f) 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

(g) 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

(h) 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

(i) any transfer or purported transfer of the Owner Participant's interest in the Trust Estate or in any Operative Document without a good faith attempt to comply with Section 16(c) of the Participation Agreement; or

(j) the 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration.

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), any or all of the rights and powers and pursue any and all of the remedies accorded to the Owner Trustee pursuant to Section 15 of the Lease and this Article 8, 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 30 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 not involving any failure to make any payments to which the Loan Trustee or any Loan Participant is entitled hereunder when due) 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, 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, 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 (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), 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 Article 6 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.

(iii) It is further agreed and understood that the Loan Trustee shall not proceed to foreclose the Lien of this Agreement or otherwise exercise rights that would cause the Owner Trustee to lose its title in the Aircraft, unless 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 of the remedies referred to in Section 15 of the Lease to take possession of and/or sell the Aircraft (as it shall determine in its good faith discretion); provided that during any period with respect to which 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 foreclose the Lien of this Agreement or otherwise exercise rights that would cause the Owner Trustee to lose its title in the Aircraft until the earlier of (i) the expiration of the Section 1110 Period unless, at or prior to such time, the applicable bankruptcy court shall have authorized the trustee in bankruptcy of the Company to perform all obligations of the Company under the Lease that became due on or after the commencement of the applicable stay and such trustee shall have cured all existing defaults (other than with respect to Section 14(e), (f), (g) or (h) of the Lease, as the case may be) in which case the Loan Trustee shall have no right to exercise remedies hereunder in respect of Indenture Events of Default relating to Lease Events of Default theretofore occurring, and (ii) actual repossession of the Aircraft. 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. To the extent now or at any time hereafter enforceable under applicable law, the Owner Trustee 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 or insist upon any benefit or advantage of or

from any law now or hereafter in force providing for the valuation or appraisement 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 Owner Trustee acquiring any interest in or title to the Indenture Estate or any part thereof subsequent to the date of this Agreement, 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. Nothing in this Section 8.04 shall be deemed to be a waiver by the Owner Trustee of its rights under Section 8.03(e).

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 premium, if any, and interest on an Equipment Note on or after the respective due dates expressed in such Equipment Note, or 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 Loan 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) Nothwithstanding 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, 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, premium, 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, 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, premium, if any, and interest on, the 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 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 the Loan Trustee or 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)(l) 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 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 Section 101(16) of the Federal Aviation Act. 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, premium, if any, 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 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 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, premium, if any, 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 premium, if any, 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, premium, if any, 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;

(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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal of, premium, if any, 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 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).

(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(e) 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), 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; 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 compliance with subsection (a) of this Section 11.06 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), Section 8, Sections 9(b) through 9(d), Section 13, Section 16(b) and, to the extent the Loan Participants 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 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.

(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 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 as in effect on the Refunding Date so that the same is less than the payment of principal of, premium, 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 reduce the aggregate amount of Stipulated Loss Value 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 premium, 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 premium, 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 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
750 Main St.
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AA)

Facsimile: (203) 244-1899
Telephone: (203) 244-1800

if to the Owner Trustee, to:

Meridian Trust Company 35 North Sixth Street
Reading, Pennsylvania 19601

Attention: Corporate Trust Department
(AA 1994 PTC Series AA)

Facsimile: (215) 655-1349
Telephone: (215) 655-3182

if to the Owner Participant, to:

Mission Funding Epsilon 18101 Von Karman Avenue
Suite 1700
Irvine, California 92715

Attention: President

Facsimile: (714) 757-0140
Telephone: (714) 757-2400

(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, premium, if any,

or interest on 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.

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 Corporation 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 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.

MERIDIAN 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:

Exhibit A to Amended and
Restated Trust Indenture
and Security Agreement

Form of (Installment)* Equipment Notes

No._____ $_____

1994 EQUIPMENT NOTES, SERIES AA

MERIDIAN TRUST COMPANY,
Not in its Individual Capacity
but Solely as Owner Trustee Under the
Trust Agreement (AA 1992 MF-1)
(Redesignated AA 1994 PTC Series AA)
Dated as of May 15, 1992

Issued in connection with Aircraft N371AA
Leased to
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
----	(_____, 20__)* (----)**

MERIDIAN TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 MF-1) (redesignated AA 1994 PTC Series AA), dated as of May 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 principal amount 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, semiannually, on May 26 and November 26 in each year,

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

commencing November 26, 1994, until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994 (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 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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

_____

* Include for Installment Equipment Notes only.

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, premium, if any, and interest on this 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.

This Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights 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 by the Indenture, to all of which terms and conditions in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

(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 initial principal amount of this Equipment Note which is set forth above.

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* Include for Installment Equipment Notes only.

Installment Payment Date	Installment Payment Percentage
_____, _____	_____ %
_____, _____	_____
_____, _____	_____
_____, _____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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, premium, if any, and interest on the

_____

* Include for Installment Equipment Notes only.

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 and herein set forth, this Equipment Note is transferable, and upon surrender of this 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 his attorney duly authorized in writing, one or more new 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 EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS 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 Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the 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 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 Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Note and for all other purposes whatsoever whether or not this 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 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)

(Corporate Seal)

Attest:

_____
(Title)

Issue Date:

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

Exhibit C to
Amended and Restated
Trust Indenture and
Security Agreement

(TRUST AGREEMENT AND)* INDENTURE SUPPLEMENT NO._____**
(AA 1994 PTC Series AA)

(Trust Agreement and)* Indenture Supplement No._____, dated _____, between MERIDIAN TRUST COMPANY, a Pennsylvania trust company, not in its individual capacity, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement (AA 1992 MF-1) (redesignated AA PTC 1994 Series AA), dated as of May 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 1994 PTC Series AA), dated as of _____, 1994 (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

_____

* 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.

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, premium, if any, and interest, due with respect to all of the Equipment Notes from time to time Outstanding under the Indenture and the other Operative Documents and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions in the Indenture and the other Operative Documents, for the benefit of the Loan Participants and, subject to the terms and conditions of the Indenture and the other Operative Documents, and in consideration of the premises and of the sum of $1.00 paid to the Owner Trustee by the Loan Trustee, the receipt whereof is hereby acknowledged, the Owner Trustee by these presents has sold, assigned, transferred, pledged and confirmed, and does hereby sell, assign, transfer, pledge and confirm, 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, Meridian 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.

MERIDIAN 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
Trust Indenture and
Security Agreement

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" with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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 N371AA and Manufacturer's Serial Number 25198, 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 and shall include any Replacement Airframe which may from time to time

be 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, such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York, Hartford, Connecticut or such other city and state in which the principal corporate trust office of the Loan Trustee is located and the city and state in which the Loan Trustee disburses funds.

"Delivery Date" means the date of the initial 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.

"Engine" means (i) each of the two General Electric CF6-80C2B6 Engines bearing manufacturer's serial numbers 695-509 and 695-510 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 and in the case of theft or disappearance,

the continuation thereof of a period not less than 180 days; (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 a requisition for use (x) by the government of the United States which shall have resulted in a loss of possession of the Aircraft for a period extending beyond the latest maturity date of any of the Outstanding Equipment Notes, or, at the Company's option, more than one year beyond the latest maturity date of any of the Outstanding Equipment Notes, (y) by a Government (other than the government of the United States) which shall not have resulted in a loss of possession of the Aircraft for a period extending beyond the latest maturity date of any of the Outstanding Equipment Notes or (z) by the government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which bears the full faith and credit of such government, which shall have not have resulted in a loss of possession of the Aircraft for a period in excess of 180 days, or, if earlier, for a period extending 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 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 six consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by any 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 Company shall have obtained indemnity in lieu thereof from a Government; provided that in the case of an event described in clauses (i), (iii) and (v), 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 is given pursuant to this Indenture, then such event shall, at the option of the Company, not constitute an Event of Loss. An Event of Loss with respect to an 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, and the United Kingdom, and any instrumentality or agency thereof whose obligations bear the full faith and credit of the appplicable government listed above.

"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" 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 1994 PTC Series AA), dated as of May 15, 1992 and as 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 that were not custom made specifically for use on the Aircraft or originally part of 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 title to which remains vested in the Company in accordance with Section 8 of Article 15 hereof.

"Payment or Bankruptcy Default" shall mean an event which, after notice or lapse of time or both, 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).

"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 MF-1), dated as of May 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 1994 PTC Series AA), dated as of May 26, 1994, 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" shall 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; provided, however, that both Engines shall be of the same manufacturer.

"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 responsbilities 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.

"Tax" and "Taxes" shall have the meanings 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 in 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; and

third, 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 the 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, premium, if any, 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; and

third, 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 any 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, premium, if any, and accrued interest on all Outstanding Equipment Notes then due and payable and all other amounts 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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, the premium, if any, 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, premium, if any, 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 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 irrevocable 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 but unpaid interest thereon to, but not including, the applicable Redemption Date plus all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter, without premium. 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, upon at least 30 days' prior irrevocable notice to the Loan Trustee, provided that all Outstanding Equipment Notes then held in the same Pass Through Trust are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter without premium. 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, to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's

address appearing in the Register.

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 having been given as aforesaid, the Equipment Notes 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 Equipment Notes then Outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption 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, premium, if any, 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 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 premium, if any, 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 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

(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, no such failure shall constitute an Event of Default hereunder for a period of 360 days from the date of such notice so long as the Company is diligently proceeding to remedy such failure; 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 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration.

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 such 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 other 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 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 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 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 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 of 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 other 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 appraisement 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, premium, if any, 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, premium, if any, 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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, premium, if any, 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 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 is 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).

(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 compliance with subsection (a) of this Section 11.06 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 in effect on the Relevant Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants), Section 8, Section 10, Section 13, Section 16(b), and to the extent the Loan Participants would be adversely affected thereby, 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, 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 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, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex,

telemessage, 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
750 Main Street
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AA)
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

(b) The Company or the Loan Trustee by notice to the other 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 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 have 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 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 and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Corporation 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, 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.

(O) 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 or in this Indenture except (i) the respective rights of Loan Trustee and the Company as herein provided, the Lien created under this Indenture, and the rights of the Loan Trustee and the Loan Participants under this Indenture, the Participation Agreement and the Pass Through Trust 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) 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 significant danger of the sale, forfeiture or loss of the Airframe or any Engine or any 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 significant 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 or any lessee with respect to which an appeal or proceeding for review is being prosecuted in good faith, so long as any such judgment or award does not involve any significant risk of the sale, forfeiture or loss of the Airframe or any Engine or any interest therein (unless the Company or any lessee shall have provided a bond or other security in an amount and under terms reasonably satisfactory to the Company) 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) at all times cause the Aircraft to remain duly registered under the laws of the United States, in the name of the Company, as owner; 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 to the conditions and requirements of Section 7.02 of this Indenture, at no expense or liability to any Loan Participant or the Loan Trustee, the Company may cause the Aircraft to be duly registered under the laws of any jurisdiction in the name of the Company or of any nominee of the Company, or, if required by applicable law, in the name of any other Person, 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 767-323ER aircraft and General Electric CF6-80C2B6 engines (or, at the Company's option, in accordance with the aircraft maintenance standards for such aircraft and engines approved by the central civil aviation authority of any of Canada, the Federal Republic of Germany, France, Japan, Switzerland, the United Kingdom or any other jurisdiction with aircraft maintenance standards that are, at the time that such standards become applicable to the Aircraft, substantially similar to those of the United States or substantially similar to those of any of the foregoing countries on the Delivery Date) 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 an operating condition as when delivered to the Company hereunder, 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) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction;

(iii) maintain all records, logs and other materials in English and such other languages as are, from time to time, required by the appropriate authorities in the jurisdiction where the Aircraft is registered and maintained 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 government or 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 the 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 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 reasonable judgment, threatened area of hostilities unless covered by war risk insurance of the type required to be maintained in Section 11 of this Article, or unless the Aircraft is operated or used under contract with any Government, 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 and for injury to persons and 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 (or in the case of a lease described in clause (viii) or (ix) below, a Payment or Bankruptcy 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 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 of this Article, 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, and as to which there is in full force and effect an air carrier operating certificate issued pursuant to Part 121 of the regulations under such Act, 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 and which is principally based in and a domiciliary of either (A) a country listed in Schedule I or Schedule I-A hereto or (B) a country as to which the Company has delivered an opinion to the effect specified in clause (y) of paragraph (ix) of this section 7(b) with respect to such interchange agreement (mutatis mutandis) with such foreign air carrier (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, permits or requires or results in 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 or any instrumentality or agency thereof pursuant to a lease, 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 States 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. Sec. 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 (ii), (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, require or result in 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 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) 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 this 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 if such installation shall adversely affect the Loan Trustee's interest in such Engine, 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 that is listed in Schedule 1 hereto, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Schedule 1-A hereto, or (C) any foreign air carrier not described in clause (A) or (B) above, provided that (y) prior to any lease to a foreign air carrier under clause (C) above, the Loan Trustee shall have received an opinion of counsel to the Company licensed in the country in which the lessee is domiciled and principally based, such counsel to be reasonably satisfactory to the Loan Trustee, to the effect that (1) there exist no possessory rights in favor of the lessee under the laws of the lessee's country which would, upon the bankruptcy or insolvency of or other default by the Company and assuming that at such time such lessee is not insolvent or bankrupt, 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 terms hereof upon the exercise by the Loan Trustee of its remedies hereunder, (2) the remedies provided in the lease are enforceable in the country in which such foreign air carrier is a domiciliary and principally based, to substantially the same extent as such remedies would be enforceable in the United States and the lease is subject and subordinate to the Lien of this Indenture, (3) it is not necessary for the Loan Trustee to qualify to do business in such country solely as a result of the proposed lease and (4) the proposed lease will not give rise to tort liability to 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 in the absence of such lease (it being understood that, in the event the opinion set forth in this subclause (4) 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) 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 lessee or other 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, Section 7(a) of this Article and 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 and insurance of the Aircraft. 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. No sublease of the Airframe or Engines shall be permitted except in connection with a transaction that involves such a sublease commencing at the inception of the lease and in which each sublessee and sublease satisfies the conditions contained in this Section 7(b) with respect to lessees and leases, respectively. The Company shall not lease the Airframe or any Engine to an air carrier that at the inception of the lease is subject to bankruptcy or other insolvency proceedings unless the lease shall have been approved by the United States Bankruptcy Court and payments thereunder shall have been accorded priority treatment in such bankruptcy or other insolvency or, in the case of a lease to a foreign air carrier, the lease shall have been approved by the corresponding foreign authority and payments thereunder shall have been accorded priority treatment in such bankruptcy or other insolvency and the Loan Trustee shall have received an opinion in form and substance reasonably satisfactory to the Company and the Loan Trustee of the Company's counsel to the effect that such approval provides the Company with assurances and priority treatment substantially equivalent to those that would be provided by the corresponding United States Bankruptcy Court. The Company shall, promptly (and in any event within 15 days) upon entering into a lease of the Airframe or Engines, notify the Loan Trustee of the identity of the lessee and the term of such lease and shall provide a copy of such lease agreement to the Loan Trustee upon request therefrom (with economic and financial provisions and information deleted therefrom if the Company shall so choose), provided that such parties shall keep confidential the identity of the lessee and the existence and terms of such lease, except that such parties may disclose such information (A) to committed (subject to receipt of such information and other customary closing conditions) transferees of the Loan Trustee's interest who agree to hold such information confidential, (B) to the Loan Trustee's counsel, independent insurance advisors or other agents who agree to hold such information confidential and (C) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation. The Loan Trustee hereby agrees, for the benefit of the lessor or secured party of any airframe leased to 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 affix on or 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 "MORTGAGED TO STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE" (such nameplate to be replaced, if necessary, with a name plate reflecting the name of any successor Loan Trustee). Except as above provided, the Company 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 the Company (or any lessee) 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. 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 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 be replaced by Parts which have been incorporated or installed in or attached to the Airframe or any Engine, 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 such replacement Part shall thereupon shall be free and clear of all Liens (except for Permitted Liens) and (ii) such replacement Part shall become subject to the Lien of 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. Upon such replacement Part becoming subject to the Lien of this Indenture, title to the replaced Part shall thereupon vest in the Company, free and clear of all rights of the Loan Trustee and each Loan Participant, and such replaced Part shall no longer be deemed a Part hereunder.

(b) Pooling of Parts. Any Part removed from the Airframe or an 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 an 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 shall, at its expense, as promptly thereafter as practicable, either (i) cause title to such replacement Part to vest in the Company free and clear of all Liens (other than Permitted Liens) at which time such replacement Part shall in accordance with Section 8(a) of this Article, become a Part and subject to the Lien of this Indenture or (ii) replace 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 and by causing title to such further replacement Part to vest in the Loan Trustee in accordance with Section 8(a) of this Article. Upon title to such replacement Part vesting in the Company, such replacement Part shall become subject to Lien of this Indenture and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Part originally incorporated or installed in or attached to the Airframe or such Engine, and title to the replaced Part shall vest in the Company, free and clear of all rights of the Loan Trustee and each Loan Participant, and such replaced Part shall no longer be deemed a Part hereunder.

(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 or involve a significant risk of the imposition of criminal liability on the Loan Trustee or any Loan Participant. 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 alteration, modification, addition or removal shall diminish the value or utility of the Airframe or such Engine, or 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 original value of all such obsolete or unsuitable Parts

removed from the Aircraft and not replaced during the Term shall not exceed $400,000. 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, so long as no Indenture Event of Default shall have occurred and be continuing, 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 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 Section 7 of this Article or the first sentence of this Section 8(c) other than the proviso thereto, and (iii) such Part can be removed from the Airframe or such Engine without diminishing or impairing the value, utility, condition or airworthinness required to be maintained by the terms of this Indenture which the Airframe or such Engine would have had at such time 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. (a) Event of Loss with Respect to the Airframe. Upon the occurrence of an Event of Loss with respect to the Airframe or the Airframe and any Engines installed on the Airframe, the Company shall forthwith (and, in any event, within 15 days after such occurrence) give the Loan Trustee written notice of such Event of Loss, specifying the date of such occurrence, 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 15 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 181st

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 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), 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 Indenture); provided that if the Company shall have elected to replace the Airframe and such Engines, but shall not have performed 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.

(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; 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 earlier of (x) the Business Day next following the 181st day next following the date of occurrence of the Event of Loss and (y) a 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, in the case of the Airframe, 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 the 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(a) 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, and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10, 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 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, (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 the United States government, or any other Government 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 the United States government, or any other Government or government (including for this purpose any agency or instrumentality thereof), not constituting an Event of Loss, 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 (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 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 any Payment or Bankruptcy Default, 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 Indenture Default, 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 180 days after an Indenture Event of Default or Payment or Bankruptcy 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. (a) Public Liability and Property Damage Insurance. 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, the Pass Through Trustee or any Loan Participant 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 3l, 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 3l, 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 and 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 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 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 coverage which affects the coverage certified hereunder to the Loan Trustee 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 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 or by 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 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 or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee 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 and that the exercise by such insurers of rights of subrogation derived from rights retained by the Company will not delay payment of any claims that would otherwise be payable but for the exercise of such rights of subrogation, (F) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee or the Pass Through Trustee with respect to its Interest 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 individual capacity, as the Loan Trustee or the Pass Through Trustee, as the case may be, in the transactions contemplated by this Indenture and the Participation Agreement. 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 the Loan Participants) 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 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 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, political 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 the determination thereof, an amount equal to 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) l-l/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 3l, 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 provide that any loss in excess of $10,000,000, up to the amount of the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage to the Aircraft (or Engines) 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 that all other amounts shall be payable to the Company unless the insurer shall have received notice that an Indenture Event of Default or Payment or Bankruptcy Default exists, in which case all insurance proceeds up to amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon payable by the Company shall be payable to the Loan Trustee, (B) shall provide that in respect of the respective interests of the Loan Trustee 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 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 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 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, political risk and allied perils coverage)

after receipt by the Loan Trustee 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 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 any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee or the Pass Through Trustee and shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee or the Pass Through Trustee with respect to its interests as such in the Aircraft and (F) shall provide that the insurers shall waive any rights of subrogation against the Loan Trustee and 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 insurers of rights of subrogation derived from rights retained by the Company shall not, in any way, delay payment of a claim that would otherwise be paid 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 may furnish such certification to the Loan Participants) 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(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 to indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government in any amount up to, at the date of determination

thereof, an amout 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.

(c) Application of Insurance Payments. Between the Loan Trustee and the Company it is as agreed that all insurance payments received under policies required to be maintained by the Company hereunder, exclusive of any payments received in excess of the Outstanding principal amount of the Equipment Notes plus accrued interest thereon 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 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 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, 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, 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 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 received under policies maintained by the Company in excess of the Outstanding principal amount of the Equipment Notes plus accrued interest thereon for the Aircraft shall be paid to the Company.

As between the Loan Trustee and the Company the insurance payments of any property damage loss received under policies required to be maintained hereunder 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 Payment or Bankruptcy Default 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 Payment or Bankruptcy Default, 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 such event or Indenture Event of Default shall have occurred and during which period the Loan Trustee shall not have exercised any remedy available to it under Section 8 hereof, then such amount shall be paid to the Company, unless the Loan Trustee shall have been prohibited by operation of law or otherwise from exercising such remedies.

(d) Reports, Etc. Annually upon renewal of the Company's insurance coverage, the Company will furnish to the Loan Trustee (and the Loan Trustee may furnish such reports to the Loan Participants) 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 accountants, agents and legal counsel and any Person with whom 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 11(d) 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 and 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 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.

(e) 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 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 provided further, that 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.

Section 12. Inspection. At all reasonable times so long as any Equipment Notes are outstanding, but upon at least 10 days' prior written notice to the Company, the Loan Trustee or its 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 or 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. So long as any Equipment Notes remain Outstanding, upon Loan Trustee's request, the Company will notify the Loan Trustee of the next scheduled "heavy maintenance" check or "C" check 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 also agrees to furnish the Loan Trustee (i) within 60 days after the end of each of the first three quarterly periods in each fiscal year of the Company, either (a) 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 for such period, certified by a Responsible Officer as presenting fairly, in accordance with generally accepted accounting principles, the information contained therein or (b) a report of the Company on Form 10-Q in respect of such period filed with the Securities and Exchange Commission, provided such report contains the financial statements specified in clause (i)(a), (ii) within 120 days after the close of each fiscal year of the Company, either (a) 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 for such fiscal year, as certified by independent public accountants, or (b) a report of the Company on Form 10-K in respect of such year filed with the Securities and Exchange Commission, provided such report contains the financial statements specified in (ii)(a), and (iii) within 120 days after the close of each fiscal year of the Company, a certificate of the Company, signed by a Responsible Officer to the effect that the signer has reviewed the relevant terms of this Indenture 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.

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. Each 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 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 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 a legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit D-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.

All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

Exhibit D-1
to Trust Indenture and
Security Agreement

Form of (Installment)* Equipment Notes

No._____ $_____

1994 EQUIPMENT NOTES SERIES AA

AMERICAN AIRLINES, INC.,

Issued in connection with Aircraft N371AA

INTEREST RATE	MATURITY DATE
----	(_____ , 20__)*
	(----)**

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 principal amount remaining unpaid from time to time)* (thereon)** at the rate per annum specified above, from May 26, 1994 or from the most recent date to which interest has been paid or duly provided for, semi-annually, on May 26 and November 26 in each year, commencing _____, ____, until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994 (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

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this 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) the Loan Trustee is not and shall not be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture, except as provided in the Indenture in the case of the Loan 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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.

_____

* Include for Installment Equipment Notes only.

Payment of the principal of, premium, if any, and interest on this Equipment Notes 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.

This Equipment Notes shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Equipment Notes has been executed on behalf of the by the Company 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the 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 in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

_____

* Include for Installment Equipment Notes only.

(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 initial principal amount of this Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
_____, ____	_____%
_____, ____	_____
_____, ____	_____
_____, ____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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 provided 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.

_____

* Include for Installment Equipment Notes only.

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 principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, premium, if any, 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 Equipment Note is transferable, and upon surrender of this 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 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.

_____

* Include for Installment Equipment Notes only.

The Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of authorized denominations or transferable upon surrender of the Equipment Notes to be exchanged or transferred, 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 Equipment Note, the Loan Trustee, any Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Equipment Notes is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Notes and for all other purposes whatsoever whether or not this Equipment Notes be overdue, and neither the Loan Trustee, any Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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

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

AMERICAN AIRLINES, INC.

By_____
Name:
Title:

Issue Date:

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

EXHIBIT 4(b)(8)

==========

AMENDED AND RESTATED TRUST INDENTURE

AND SECURITY AGREEMENT

(AA 1994 PTC Series AB)

dated as of May 26, 1994

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 757-223 Aircraft

U.S. Registration No. N647AM
Manufacturer's Serial No. 24605

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AMENDED AND RESTATED TRUST INDENTURE
AND SECURITY AGREEMENT

This AMENDED AND RESTATED TRUST INDENTURE AND SECURITY AGREEMENT (AA 1994 PTC Series AB), dated as of May 26, 1994, 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 C&S/Sovran Trust Company (Georgia), National Association as Indenture Trustee (the "Indenture Trustee") entered into the Trust Indenture and Security Agreement (AA 1991 AF-1) dated as of June 25, 1991 (the "Original Indenture");

WHEREAS, the Owner Trustee and the Indenture Trustee entered into Trust Agreement and Indenture Supplement No. 1 (AA 1991 AF-1) (the "Supplement") dated July 2, 1991 to the Original Indenture;

WHEREAS, the Original Indenture and the Supplement were recorded with the Federal Aviation Administration on July 2, 1991 and were assigned Conveyance No. I48485;

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;

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, premium, 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 herein and in the Operative Documents to which it is a party for the benefit of the Loan Participants, 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 757-223 Aircraft with FAA Registration Number N647AM and Manufacturer's serial number 24605 (including the Airframe and the two Rolls-Royce RB211-535E4-B with Manufacturer's serial numbers 31086 and 31089 (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 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 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 separately granted the Loan Trustee 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 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) or the Loan Participants 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 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" shall have the meaning specified therefor in the Lease.

"Agent" means any Paying Agent or Registrar.

"Aircraft" shall have the meaning specified therefor in the Lease.

"Airframe" shall have the meaning specified therefor in the Lease.

"Bankruptcy Code" shall mean the United States Bankruptcy Code of 1978, 11 U.S.C. Sections 101-1330, as amended.

"Basic Rent" shall have the meaning specified therefor in the Lease.

"Business Day" shall have 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" shall have the meaning specified therefor in Section 2.03.

"Debt" shall mean 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" shall have the meaning specified therefor in Section 2.08.

"Defaulted Interest" shall have the meaning specified therefor in Section 2.08.

"Delivery Date" shall have the meaning specified therefor in the Lease.

"Engine" shall have the meaning specified therefor in the Lease.

"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.

"Event of Loss" shall have 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" means the Federal Aviation Act of 1958, as amended.

"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" shall have the meaning specified therefor in the Granting Clause hereof.

"Indenture Event of Default" shall have 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" shall mean 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).

"Installment Equipment Note" shall mean an Equipment Note identified in Exhibit B-1 hereto.

"Installment Payment Amount" means, with respect to each Installment 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 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, 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 May 26 and November 26, commencing November 26, 1994.

"Lease" means the Lease Agreement dated as of June 25, 1991 (AA 1991 AF-1) (redesignated AA 1994 PTC Series AB), which Lease, together with Lease Supplement No. 1 thereto dated July 2, 1991, was recorded by the Federal Aviation Administration on July 2, 1991 and assigned Conveyance No. I48484, 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" shall have the meaning specified for the term "Event of Default" in the Lease.

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

"Lease Supplement" shall have the meaning specified therefor in the Lease.

"Lease Termination Date" shall have the meaning specified for the term "Termination Date" in the Lease.

"Lessor's Liens" shall have 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, 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 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 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 Equipment Note plus accrued but unpaid interest on such Equipment Note (but not any accrued interest in default).

"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 the 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" shall mean any provider of any Owner Participant Guaranty.

"Owner Participant Guaranty" shall mean 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" shall have the meaning specified therefor in the Lease.

"Parts" shall have 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 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 May 26, 1994, each between the Company and the Pass Through Trustee, pursuant to which the Pass Through Trustee holds any 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.

"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" shall have the meaning specified therefor in the Lease.

"Person" shall have the meaning specified therefor in the Lease.

"Premium Termination Date" means, with respect to each Equipment Note, the date set forth below next to the maturity date of such Equipment Note:

Maturity Date	Premium Termination Date
November 26, 1994	November 26, 1994
November 26, 1995	November 26, 1995
November 26, 1996	November 26, 1996
November 26, 2011	May 26, 2006
May 26, 2015	May 26, 2015

"Purchase Agreement" shall have the meaning specified therefor in the Lease.

"Purchase Agreement Assignment" shall have 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" shall have 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" shall have the meaning specified therefor in Section 2.03.

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

"Related Indemnitee Groups" shall have the meaning specified therefor in Section 7(b) of the Participation Agreement.

"Rent" shall have the meaning specified therefor in the Lease.

"Rent Schedule" shall have the meaning specified therefor in the Lease.

"Replacement Airframe" shall have the meaning specified therefor in the Lease.

"Replacement Engine" shall have the meaning specified therefor in the Lease.

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

"Responsible Officer", with respect to the Owner Trustee or the Loan Trustee, shall mean 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 Price" shall have the meaning specified therefor in the Lease.

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

"Stipulated Loss Value" shall have the meaning specified therefor in the Lease.

"Supplemental Rent" shall have the meaning specified therefor in the Lease.

"Tax Indemnity Agreement" shall have the meaning specified therefor in the Lease.

"Termination Value" shall have the meaning specified therefor in the Lease.

"Treasury Rate" means, with respect to each 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 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 Equipment Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such 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 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 Equipment Note to be redeemed, the date which follows the Redemption Date by a period equal to the Remaining Weighted Average Life of such Equipment Note. For purposes hereof, "Remaining Weighted Average Life" means, for any 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 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 Equipment Note.

"Trust Agreement" shall have 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" shall have 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 1994 PTC Series AB), as the same may from time to time be supplemented, amended or modified.

"Trustee's Liens" shall have 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 1994 Equipment Notes, Series AB. The Equipment

Notes shall be substantially in the form set forth in Exhibit A 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, shall be payable in full on the Maturity Date for such Equipment Note. The principal of each Installment Equipment Note shall be payable in installments, on each Installment Payment Date and the Maturity Date, in amounts equal to the Installment Payment Amount for such Installment Payment Date. Each Equipment Note shall be issued to the Pass Through Trustee under the Pass Through Trust Agreement as set forth in Exhibit B-2 hereto.

(b) The Equipment Notes shall be issued in registered form only. The Equipment Notes shall be issued in denominations of $1,000 and integral multiples thereof except that one Equipment Note of each maturity may be in an amount that is not an integral multiple of $1,000. 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, premium, if any, 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-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.

(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. 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 such Person is not an ERISA Plan and that such Person is not acquiring, and has not acquired, such Equipment Notes with assets of an ERISA Plan.

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, premium, if any, 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 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, premium, if any, 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; provided, however, that 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. Principal of Equipment Notes payable on the Maturity Date of such Equipment Note and premium, 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.

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, premium, if any, and interest on all Equipment Notes held by such Loan Participant and all other sums payable to such Loan Participant hereunder, under such Equipment Notes and under the Participation 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 clause (1) or (2) below:

(1) The Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Person in whose name such 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 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 Note 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 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.

(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 and the Loan Trustee, all money held by the Paying Agent for the payment of principal of, premium, if any, or interest on, the Equipment Notes payable to the Loan Participants hereunder, 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 third 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, 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; and

third, the balance, if any, thereof remaining after amounts specified in clauses first and second 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) 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, premium (to the extent received by the Loan Trustee from the Company as Supplemental Rent), if any, 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; and

third, 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 the 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 3.04 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 3.04, 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, premium payable by the Owner Trustee pursuant to Section 6.01(b)(2), if any, and premium, if any, to the extent received from the Company as Supplemental Rent, 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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 183 days during which time the Equipment Notes could, but shall not, have been accelerated pursuant to Section 8.02, such amounts 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) 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 either Section 7(b) or 7(c) of the Participation Agreement directly to the Person entitled thereto.

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, premium 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. 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 the 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 Equipment Note redeemed prior to the Premium Termination Date applicable to such Equipment Note, a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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 first Business Day following the Lease Termination Date by three days.

(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 Equipment Note redeemed or purchased prior to the Premium Termination Date applicable to such Equipment Note (unless such redemption or purchase is pursuant to Section 6.02), a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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 upon at least 30 days' prior irrevocable notice to the Loan Trustee, 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 are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 Equipment Note redeemed prior to the Premium Termination Date applicable to such Equipment Note, a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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, but without a premium. 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, 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 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. Upon surrender of any such 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, premium, if any, 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 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 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 (other than the "true" lease assumption);

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 premium, if any, 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)(1), 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No premium shall be payable on the 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 Article 6 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 premium on the Equipment Notes shall be payable by the Owner Trustee in connection with the redemption or the purchase of 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 is 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 to 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 l4(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. 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 premium, if any, and interest on an Equipment Note on or after the respective due dates expressed in such Equipment Note, or 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 Loan 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) Nothwithstanding 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, 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, premium, 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, 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, premium, if any, and interest on, the 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 the Loan Trustee or 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)(l) 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 Section 101(16) of the Federal Aviation Act. 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, premium, if any, 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 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 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, premium, if any, 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 premium, if any, 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, premium, if any, 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;

(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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal of, premium, if any, 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 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).

(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 compliance with subsection (a) of this Section 11.06 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), Section 8, Sections 9(b) through 9(d), Section 10, Section 13, Section 16(b) and, to the extent the Loan Participants 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 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.

(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 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 as in effect on the Refunding Date so that the same is less than the payment of principal of, premium, 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 reduce the aggregate amount of Stipulated Loss Value 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 premium, 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 premium, 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 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
750 Main St.
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AB)

Facsimile: (203) 244-1899
Telephone: (203) 244-1800

if to the Owner Trustee, to:

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

Attention: Corporate Trust Department
(AA 1994 PTC Series AB)

Facsimile: (302) 651-8464/8882
Telephone: (302) 651-1000

if to the Owner Participant, to:

AT&T Credit 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, premium, if any, or interest on 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.

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 Corporation 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 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:

Exhibit A to Amended and
Restated Trust Indenture
and Security Agreement

Form of (Installment)* Equipment Notes

No._____ $_____

1994 EQUIPMENT NOTES, SERIES AB

WILMINGTON TRUST COMPANY,
Not in its Individual Capacity
but Solely as Owner Trustee Under the
Trust Agreement (AA 1991 AF-1)
(Redesignated AA 1994 PTC Series AB)
Dated as of June 25, 1991

Issued in connection with Aircraft N647AM
Leased to
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
_____	(_____ , 20__)*
	(_____)**

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1991 AF-1) (redesignated AA 1994 PTC Series AB), dated as of June 25, 1991, 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 principal amount 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, semiannually, on May 26 and November 26 in each year,

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

commencing November 26, 1994, until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994 (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 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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

_____

* Include for Installment Equipment Notes only.

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, premium, if any, and interest on this 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.

This Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights 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 by the Indenture, to all of which terms and conditions in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

(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 initial principal amount of this Equipment Note which is set forth above.

---

* Include for Installment Equipment Notes only.

Installment Payment Date	Installment Payment Percentage
_____, ____	_____%
_____, ____	_____
_____, ____	_____
_____, ____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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, premium, if any, and interest on the

_____

* Include for Installment Equipment Notes only.

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 and herein set forth, this Equipment Note is transferable, and upon surrender of this 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 his attorney duly authorized in writing, one or more new 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 EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS 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 Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the 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 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 Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Note and for all other purposes whatsoever whether or not this 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 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)

(Corporate Seal)

Attest:

_____
(Title)

Issue Date:

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

Exhibit C to
Amended and Restated
Trust Indenture and
Security Agreement

(TRUST AGREEMENT AND)* INDENTURE SUPPLEMENT NO._____**
(AA 1994 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 1991 AF-2) (redesignated AA PTC 1994 Series AB), dated as of June 25, 1991 (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 1994 PTC Series AB), dated as of May 26, 1994 (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

_____

* 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.

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, premium, if any, and interest, due with respect to all of the Equipment Notes from time to time Outstanding under the Indenture and the other Operative Documents and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions in the Indenture and the other Operative Documents, for the benefit of the Loan Participants and, subject to the terms and conditions of the Indenture and the other Operative Documents, and in consideration of the premises and of the sum of $1.00 paid to the Owner Trustee by the Loan Trustee, the receipt whereof is hereby acknowledged, the Owner Trustee by these presents has sold, assigned, transferred, pledged and confirmed, and does hereby sell, assign, transfer, pledge and confirm, 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
Trust Indenture and
Security Agreement

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" with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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 757-223 aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N647AM and Manufacturer's Serial Number 24605, 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, such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day other than a Saturday, Sunday or other 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, Hartford, Connecticut or such other city and state in which the principal corporate trust office of the Loan Trustee is located and 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 Rolls-Royce RB211-535E4-B engines bearing manufacturer's serial numbers 31086 and 31089 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 requistion 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 appplicable government listed above.

"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" 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 1994 PTC Series AB), dated as of June 25, 1991, 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 July 21, 1988, 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 757 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 1991 AF-1), dated as of June 25, 1991, 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 1994 PTC Series AB), dated as of May 26, 1994, 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" shall mean a Boeing 757-200 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 Rolls-Royce RB211-535E4-B 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 responsbilities 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 in 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; and

third, 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 the 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, premium, if any, 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; and

third, 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 any 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, premium, if any, and accrued interest on all Outstanding Equipment Notes then due and payable and all other amounts 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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, the premium, if any, 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, premium, if any, 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 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 irrevocable 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 but unpaid interest thereon to, but not including, the applicable Redemption Date plus all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter, without premium. 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, upon at least 30 days' prior irrevocable notice to the Loan Trustee, provided that all outstanding equipment notes then held in the same Pass Through Trust are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter without premium. 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, to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's address appearing in the Register.

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 having been given as aforesaid, the Equipment Notes 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 Equipment Notes then Outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption 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, premium, if any, 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 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 premium, if any, 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 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

(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 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration.

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 such 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 other 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 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 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 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 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 of 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 other 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 appraisement 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, premium, if any, 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, premium, if any, 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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, premium, if any, 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 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 is 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).

(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 compliance with subsection (a) of this Section 11.06 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 in effect on the Relevant Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants), Section 8, Section 10, Section 13, Section 16(b), and to the extent the Loan Participants would be adversely affected thereby, 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, 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 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, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telemessage, 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
750 Main Street
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AB)
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

(b) The Company or the Loan Trustee by notice to the other 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 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 have 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 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 and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Corporation 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 Equipment Notes 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.

(O) 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 hereunder, and the rights of each Loan Participant, the Loan Trustee and the Pass Through Trust Trustee under this Indenture 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 757-200 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 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 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 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);

(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 (ii), (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 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) 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 Trustees 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 757-200 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 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 or Parts; provided that no such alterations, modification, addition 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 alternation, 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, with our 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 which the Airframe or such Engine would have had at such time 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 not 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. (a) Event of Loss with Respect to an Airframe. 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; 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) a 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 the 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, and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10, 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. (a) Public Liability and Property Damage Insurance. 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 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 abovementioned 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 and 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 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 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 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 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 nor 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 or 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 nor the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee 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 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 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 provide 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 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 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 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 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 by the Loan Trustee 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 or the Pass Through Trustee 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 the Loan Trustee or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee and 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 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 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 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 payments 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) or 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 if 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 and 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 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 or its 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 of any court 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. Each 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 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 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 a legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit D-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.

All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

Exhibit D-1
to Trust Indenture and
Security Agreement

Form of (Installment)* Equipment Notes

No._____ $_____

1994 EQUIPMENT NOTES SERIES AB

AMERICAN AIRLINES, INC.,

Issued in connection with Aircraft N647AM

INTEREST RATE	MATURITY DATE
----	(_____, 20__)* (----)**

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 principal amount 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, semi-annually, on May 26 and November 26 in each year, commencing _____until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994 (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

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this 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) the Loan Trustee is not and shall not be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture, except as provided in the Indenture in the case of the Loan 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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.

_____

* Include for Installment Equipment Notes only.

Payment of the principal of, premium, if any, and interest on this Equipment Notes 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.

This Equipment Notes shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Equipment Notes has been executed on behalf of the by the Company 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the 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 in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

_____

* Include for Installment Equipment Notes only.

(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 initial principal amount of this Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
_____ , ____	_____ %
_____ , ____	_____
_____ , ____	_____
_____ , ____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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 provided 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.

_____

* Include for Installment Equipment Notes only.

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 principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, premium, if any, 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 Equipment Note is transferable, and upon surrender of this 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 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.

_____

* Include for Installment Equipment Notes only.

The Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of authorized denominations or transferable upon surrender of the Equipment Notes to be exchanged or transferred, 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 Equipment Note, the Loan Trustee, any Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Equipment Notes is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Notes and for all other purposes whatsoever whether or not this Equipment Notes be overdue, and neither the Loan Trustee, any Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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

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

AMERICAN AIRLINES, INC.

By _____
Name:
Title:

Issue Date:

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

EXHIBIT 4(b)(9)

==========

AMENDED AND RESTATED TRUST INDENTURE

AND SECURITY AGREEMENT

(AA 1994 PTC Series AC)

dated as of May 26, 1994

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 757-223 Aircraft

U.S. Registration No. N648AA
Manufacturer's Serial No. 24606

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AMENDED AND RESTATED TRUST INDENTURE
AND SECURITY AGREEMENT

This AMENDED AND RESTATED TRUST INDENTURE AND SECURITY AGREEMENT (AA 1994 PTC Series AC), dated as of May 26, 1994, 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 C&S/Sovran Trust Company (Georgia), National Association as Indenture Trustee (the "Indenture Trustee") entered into the Trust Indenture and Security Agreement (AA 1991 AF-2) dated as of June 25, 1991 (the "Original Indenture");

WHEREAS, the Owner Trustee and the Indenture Trustee entered into Trust Agreement and Indenture Supplement No. 1 (AA 1991 AF-2) (the "Supplement") dated July 10, 1991 to the Original Indenture;

WHEREAS, the Original Indenture and the Supplement were recorded with the Federal Aviation Administration on July 10, 1991 and were assigned Conveyance No. BB18867;

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;

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, premium, 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 herein and in the Operative Documents to which it is a party for the benefit of the Loan Participants, 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 757-223 Aircraft with FAA Registration Number N648AA and Manufacturer's serial number 24606 (including the Airframe and the two Rolls-Royce RB211-535E4-B with Manufacturer's serial numbers 31088 and 31090 (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 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 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 separately granted the Loan Trustee 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 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) or the Loan Participants 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 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" shall have the meaning specified therefor in the Lease.

"Agent" means any Paying Agent or Registrar.

"Aircraft" shall have the meaning specified therefor in the Lease.

"Airframe" shall have the meaning specified therefor in the Lease.

"Bankruptcy Code" shall mean the United States Bankruptcy Code of 1978, 11 U.S.C. Sections 101-1330, as amended.

"Basic Rent" shall have the meaning specified therefor in the Lease.

"Business Day" shall have 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" shall have the meaning specified therefor in Section 2.03.

"Debt" shall mean 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" shall have the meaning specified therefor in Section 2.08.

"Defaulted Interest" shall have the meaning specified therefor in Section 2.08.

"Delivery Date" shall have the meaning specified therefor in the Lease.

"Engine" shall have the meaning specified therefor in the Lease.

"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.

"Event of Loss" shall have 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" means the Federal Aviation Act of 1958, as amended.

"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" shall have the meaning specified therefor in the Granting Clause hereof.

"Indenture Event of Default" shall have 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" shall mean 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).

"Installment Equipment Note" shall mean an Equipment Note identified in Exhibit B-1 hereto.

"Installment Payment Amount" means, with respect to each Installment 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 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, 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 May 26 and November 26, commencing November 26, 1994.

"Lease" means the Lease Agreement dated as of June 25, 1991 (AA 1991 AF-2) (redesignated AA 1994 PTC Series AC), which Lease, together with Lease Supplement No. 1 thereto dated July 10, 1991, was recorded by the Federal Aviation Administration on July 10, 1991 and assigned Conveyance No. BB18866, 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" shall have the meaning specified for the term "Event of Default" in the Lease.

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

"Lease Supplement" shall have the meaning specified therefor in the Lease.

"Lease Termination Date" shall have the meaning specified for the term "Termination Date" in the Lease.

"Lessor's Liens" shall have 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, 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 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 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 Equipment Note plus accrued but unpaid interest on such Equipment Note (but not any accrued interest in default).

"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 the 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" shall mean any provider of any Owner Participant Guaranty.

"Owner Participant Guaranty" shall mean 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" shall have the meaning specified therefor in the Lease.

"Parts" shall have 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 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 May 26, 1994, each between the Company and the Pass Through Trustee, pursuant to which the Pass Through Trustee holds any 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.

"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" shall have the meaning specified therefor in the Lease.

"Person" shall have the meaning specified therefor in the Lease.

"Premium Termination Date" means, with respect to each Equipment Note, the date set forth below next to the maturity date of such Equipment Note:

Maturity Date	Premium Termination Date
November 26, 1994	November 26, 1994
November 26, 1995	November 26, 1995
November 26, 1996	November 26, 1996
November 26, 2011	May 26, 2006
May 26, 2015	May 26, 2015

"Purchase Agreement" shall have the meaning specified therefor in the Lease.

"Purchase Agreement Assignment" shall have 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" shall have 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" shall have the meaning specified therefor in Section 2.03.

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

"Related Indemnitee Groups" shall have the meaning specified therefor in Section 7(b) of the Participation Agreement.

"Rent" shall have the meaning specified therefor in the Lease.

"Rent Schedule" shall have the meaning specified therefor in the Lease.

"Replacement Airframe" shall have the meaning specified therefor in the Lease.

"Replacement Engine" shall have the meaning specified therefor in the Lease.

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

"Responsible Officer", with respect to the Owner Trustee or the Loan Trustee, shall mean 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" shall have the meaning specified therefor in the Lease.

"Special Purchase Price" shall have 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" shall have the meaning specified therefor in the Lease.

"Stipulated Loss Value" shall have the meaning specified therefor in the Lease.

"Supplemental Rent" shall have the meaning specified therefor in the Lease.

"Tax Indemnity Agreement" shall have the meaning specified therefor in the Lease.

"Termination Value" shall have the meaning specified therefor in the Lease.

"Treasury Rate" means, with respect to each 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 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 Equipment Note and (B) the other maturing as close as possible to, but later than, the Average Life Date of such 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 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 Equipment Note to be redeemed, the date which follows the Redemption Date by a period equal to the Remaining Weighted Average Life of such Equipment Note. For purposes hereof, "Remaining Weighted Average Life" means, for any 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 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 Equipment Note.

"Trust Agreement" shall have 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" shall have 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 1994 PTC Series AC), as the same may from time to time be supplemented, amended or modified.

"Trustee's Liens" shall have 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 1994 Equipment Notes, Series AC. The Equipment

Notes shall be substantially in the form set forth in Exhibit A 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, shall be payable in full on the Maturity Date for such Equipment Note. The principal of each Installment Equipment Note shall be payable in installments, on each Installment Payment Date and the Maturity Date, in amounts equal to the Installment Payment Amount for such Installment Payment Date. Each Equipment Note shall be issued to the Pass Through Trustee under the Pass Through Trust Agreement as set forth in Exhibit B-2 hereto.

(b) The Equipment Notes shall be issued in registered form only. The Equipment Notes shall be issued in denominations of $1,000 and integral multiples thereof except that one Equipment Note of each maturity may be in an amount that is not an integral multiple of $1,000. 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, premium, if any, 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-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.

(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. 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 such Person is not an ERISA Plan and that such Person is not acquiring, and has not acquired, such Equipment Notes with assets of an ERISA Plan.

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, premium, if any, 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 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, premium, if any, 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; provided, however, that 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. Principal of Equipment Notes payable on the Maturity Date of such Equipment Note and premium, 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.

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, premium, if any, and interest on all Equipment Notes held by such Loan Participant and all other sums payable to such Loan Participant hereunder, under such Equipment Notes and under the Participation 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 clause (1) or (2) below:

(1) The Loan Trustee may elect to make payment of any Defaulted Installment or Defaulted Interest to the Person in whose name such 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 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 Note 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 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.

(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 and the Loan Trustee, all money held by the Paying Agent for the payment of principal of, premium, if any, or interest on, the Equipment Notes payable to the Loan Participants hereunder, 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 third 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, 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; and

third, the balance, if any, thereof remaining after amounts specified in clauses first and second 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) 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, premium (to the extent received by the Loan Trustee from the Company as Supplemental Rent), if any, 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; and

third, 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 the 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 3.04 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 3.04, 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, premium payable by the Owner Trustee pursuant to Section 6.01(b)(2), if any, and premium, if any, to the extent received from the Company as Supplemental Rent, 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest, at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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 183 days during which time the Equipment Notes could, but shall not, have been accelerated pursuant to Section 8.02, such amounts 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) 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 either Section 7(b) or 7(c) of the Participation Agreement directly to the Person entitled thereto.

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, premium 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. 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 the 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 Equipment Note redeemed prior to the Premium Termination Date applicable to such Equipment Note, a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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 first Business Day following the Lease Termination Date by three days.

(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 Equipment Note redeemed or purchased prior to the Premium Termination Date applicable to such Equipment Note (unless such redemption or purchase is pursuant to Section 6.02), a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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 upon at least 30 days' prior irrevocable notice to the Loan Trustee, 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 are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 Equipment Note redeemed prior to the Premium Termination Date applicable to such Equipment Note, a premium, equal to the Make-Whole Amount, if any, and otherwise without premium. 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, but without a premium. 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, 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 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. Upon surrender of any such 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, premium, if any, 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 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 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 (other than the "true" lease assumption);

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 premium, if any, 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)(1), 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration. No premium shall be payable on the 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 Article 6 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 premium on the Equipment Notes shall be payable by the Owner Trustee in connection with the redemption or the purchase of 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 is 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 to 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 l4(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. 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 premium, if any, and interest on an Equipment Note on or after the respective due dates expressed in such Equipment Note, or 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 Loan 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) Nothwithstanding 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, 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, premium, 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, 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, premium, if any, and interest on, the 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 the Loan Trustee or 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)(l) 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 Section 101(16) of the Federal Aviation Act. 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, premium, if any, 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 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 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, premium, if any, 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 premium, if any, 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, premium, if any, 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;

(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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal of, premium, if any, 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 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).

(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 compliance with subsection (a) of this Section 11.06 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), Section 8, Sections 9(b) through 9(d), Section 10, Section 13, Section 16(b) and, to the extent the Loan Participants 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 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.

(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 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 as in effect on the Refunding Date so that the same is less than the payment of principal of, premium, 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 reduce the aggregate amount of Stipulated Loss Value 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 premium, 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 premium, 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 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
750 Main St.
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AC)

Facsimile: (203) 244-1899
Telephone: (203) 244-1800

if to the Owner Trustee, to:

Wilmington Trust Company
Rodney Square North
Wilmington, Delaware 19890

Attention: Corporate Trust Department
(AA 1994 PTC Series AC)

Facsimile: (302) 651-8464/8882
Telephone: (302) 651-1000

if to the Owner Participant, to:

AT&T Credit 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, premium, if any, or interest on 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.

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 Corporation 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 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:

Exhibit A to Amended and
Restated Trust Indenture and
Security Agreement

Form of (Installment)* Equipment Notes

No._____ $_____

1994 EQUIPMENT NOTES, SERIES AC

WILMINGTON TRUST COMPANY,
Not in its Individual Capacity
but Solely as Owner Trustee Under the
Trust Agreement (AA 1991 AF-2)
(Redesignated AA 1994 PTC Series AC)
Dated as of June 25, 1991

Issued in connection with Aircraft N648AA
Leased to
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
----	(_____, 20__)* (----)**

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1991 AF-2) (redesignated AA 1994 PTC Series AC), dated as of June 25, 1991, 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 principal amount 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, semiannually, on May 26 and November 26 in each year,

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

commencing November 26, 1994, until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994 (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 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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

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* Include for Installment Equipment Notes only.

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, premium, if any, and interest on this 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.

This Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights 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 by the Indenture, to all of which terms and conditions in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

(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 initial principal amount of this Equipment Note which is set forth above.

---

* Include for Installment Equipment Notes only.

Installment Payment Date	Installment Payment Percentage
_____, __	_____%
_____, __	_____
_____, __	_____
_____, __	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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, premium, if any, and interest on the

_____

* Include for Installment Equipment Notes only.

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 and herein set forth, this Equipment Note is transferable, and upon surrender of this 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 his attorney duly authorized in writing, one or more new 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 EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS 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 Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the 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 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 Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Note and for all other purposes whatsoever whether or not this 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 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)

(Corporate Seal)

Attest:

_____
(Title)

Issue Date:

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

Exhibit C to
Amended and Restated
Trust Indenture and
Security Agreement

(TRUST AGREEMENT AND)* INDENTURE SUPPLEMENT NO._____**
(AA 1994 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 1991 AF-2) (redesignated AA PTC 1994 Series AC), dated as of June 25, 1991 (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 1994 PTC Series AC), dated as of May 26, 1994 (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

_____

* 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.

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, premium, if any, and interest, due with respect to all of the Equipment Notes from time to time Outstanding under the Indenture and the other Operative Documents and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions in the Indenture and the other Operative Documents, for the benefit of the Loan Participants and, subject to the terms and conditions of the Indenture and the other Operative Documents, and in consideration of the premises and of the sum of $1.00 paid to the Owner Trustee by the Loan Trustee, the receipt whereof is hereby acknowledged, the Owner Trustee by these presents has sold, assigned, transferred, pledged and confirmed, and does hereby sell, assign, transfer, pledge and confirm, 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
Trust Indenture and
Security Agreement

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" with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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 757-223 aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N648AA and Manufacturer's Serial Number 24606, 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, such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day other than a Saturday, Sunday or other 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, Hartford, Connecticut or such other city and state in which the principal corporate trust office of the Loan Trustee is located and 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 Rolls-Royce RB211-535E4-B engines bearing manufacturer's serial numbers 31088 and 31090 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 requistion 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 appplicable government listed above.

"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" 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 1994 PTC Series AC), dated as of June 25, 1991, 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 July 21, 1988, 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 757 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 1991 AF-2), dated as of June 25, 1991, 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 1994 PTC Series AC), dated as of May 26, 1994, 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" shall mean a Boeing 757-200 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 Rolls-Royce RB211-535E4-B 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 responsbilities 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 in 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; and

third, 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 the 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, premium, if any, 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; and

third, 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 any 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, premium, if any, and accrued interest on all Outstanding Equipment Notes then due and payable and all other amounts 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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, the premium, if any, 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, premium, if any, 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 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 irrevocable 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 but unpaid interest thereon to, but not including, the applicable Redemption Date plus all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter, without premium. 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, upon at least 30 days' prior irrevocable notice to the Loan Trustee, provided that all outstanding equipment notes then held in the same Pass Through Trust are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter without premium. 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, to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's address appearing in the Register.

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 having been given as aforesaid, the Equipment Notes 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 Equipment Notes then Outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption 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, premium, if any, 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 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 premium, if any, 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 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

(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 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration.

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 such 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 other 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 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 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 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 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 of 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 other 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 appraisement 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, premium, if any, 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, premium, if any, 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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, premium, if any, 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 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 is 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).

(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 compliance with subsection (a) of this Section 11.06 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 in effect on the Relevant Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants), Section 8, Section 10, Section 13, Section 16(b), and to the extent the Loan Participants would be adversely affected thereby, 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, 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 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, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telemessage, 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
750 Main Street
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AC)
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

(b) The Company or the Loan Trustee by notice to the other 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 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 have 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 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 and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Corporation 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 Equipment Notes 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.

(O) 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 hereunder, and the rights of each Loan Participant, the Loan Trustee and the Pass Through Trust Trustee under this Indenture 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 757-200 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 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 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 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);

(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 (ii), (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 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) 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 Trustees 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 757-200 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 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 or Parts; provided that no such alterations, modification, addition 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 alternation, 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, with our 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 which the Airframe or such Engine would have had at such time 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 not 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. (a) Event of Loss with Respect to an Airframe. 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; 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) a 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 the 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, and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10, 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. (a) Public Liability and Property Damage Insurance. 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 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 abovementioned 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 and 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 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 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 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 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 nor 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 or 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 nor the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee 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 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 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 provide 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 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 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 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 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 by the Loan Trustee 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 or the Pass Through Trustee 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 the Loan Trustee or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee and 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 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 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 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 payments 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) or 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 if 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 and 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 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 or its 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 of any court 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. Each 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 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 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 a legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit D-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.

All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

Exhibit D-1
to Trust Indenture and
Security Agreement

Form of (Installment)* Equipment Notes

No. _____ $_____

1994 EQUIPMENT NOTES SERIES AC

AMERICAN AIRLINES, INC.,

Issued in connection with Aircraft N648AA

INTEREST RATE	MATURITY DATE
----	(_____, 20__)* (----)**

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 principal amount 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, semi-annually, on May 26 and November 26 in each year, commencing _____ until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994 (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

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* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this 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) the Loan Trustee is not and shall not be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture, except as provided in the Indenture in the case of the Loan 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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.

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* Include for Installment Equipment Notes only.

Payment of the principal of, premium, if any, and interest on this Equipment Notes 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.

This Equipment Notes shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Equipment Notes has been executed on behalf of the by the Company 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the 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 in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

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* Include for Installment Equipment Notes only.

(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 initial principal amount of this Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
_____, ____	_____%
_____, ____	_____
_____, ____	_____
_____, ____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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 provided 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.

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* Include for Installment Equipment Notes only.

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 principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, premium, if any, 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 Equipment Note is transferable, and upon surrender of this 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 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.

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* Include for Installment Equipment Notes only.

The Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of authorized denominations or transferable upon surrender of the Equipment Notes to be exchanged or transferred, 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 Equipment Note, the Loan Trustee, any Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Equipment Notes is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Notes and for all other purposes whatsoever whether or not this Equipment Notes be overdue, and neither the Loan Trustee, any Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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

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

AMERICAN AIRLINES, INC.

By _____
Name:
Title:

Issue Date:

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

EXHIBIT 4(b)(10)

Exhibit A to Amended
and Restated Trust
Indenture and Security
Agreement

Form of (Installment)* Equipment Notes

No._____ $_____

1994 EQUIPMENT NOTES, SERIES AA

MERIDIAN TRUST COMPANY,
Not in its Individual Capacity
but Solely as Owner Trustee Under the
Trust Agreement (AA 1992 MF-1)
(Redesignated AA 1994 PTC Series AA)
Dated as of May 15, 1992

Issued in connection with Aircraft N371AA
Leased to
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
----	(_____, 20__)* (----)**

MERIDIAN TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1992 MF-1) (redesignated AA 1994 PTC Series AA), dated as of May 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 principal amount 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, semiannually, on May 26 and November 26 in each year,

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

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commencing November 26, 1994, until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994 (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 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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

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* Include for Installment Equipment Notes only.

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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, premium, if any, and interest on this 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.

This Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights 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 by the Indenture, to all of which terms and conditions in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

(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 initial principal amount of this Equipment Note which is set forth above.

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* Include for Installment Equipment Notes only.

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Installment Payment Date	Installment Payment Percentage
_____, _____	_____ %
_____, _____	_____
_____, _____	_____
_____, _____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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, premium, if any, and interest on the

_____

* Include for Installment Equipment Notes only.

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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 and herein set forth, this Equipment Note is transferable, and upon surrender of this 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 his attorney duly authorized in writing, one or more new 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 EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS 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 Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the 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 Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may

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deem and treat the person in whose name this Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Note and for all other purposes whatsoever whether or not this 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 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)

(Corporate Seal)

Attest:

_____
(Title)

Issue Date:

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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

Exhibit C to
Amended and Restated
Trust Indenture and
Security Agreement

(TRUST AGREEMENT AND)* INDENTURE SUPPLEMENT NO.____**
(AA 1994 PTC Series AA)

(Trust Agreement and)* Indenture Supplement No._____, dated _____, between MERIDIAN TRUST COMPANY, a Pennsylvania trust company, not in its individual capacity, but solely as Owner Trustee (the "Owner Trustee") under the Trust Agreement (AA 1992 MF-1) (redesignated AA PTC 1994 Series AA), dated as of May 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 1994 PTC Series AA), dated as of_____, 1994 (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

_____

* 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.

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, premium, if any, and interest, due with respect to all of the Equipment Notes from time to time Outstanding under the Indenture and the other Operative Documents and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions in the Indenture and the other Operative Documents, for the benefit of the Loan Participants and, subject to the terms and conditions of the Indenture and the other Operative Documents, and in consideration of the premises and of the sum of $1.00 paid to the Owner Trustee by the Loan Trustee, the receipt whereof is hereby acknowledged, the Owner Trustee by these presents has sold, assigned, transferred, pledged and confirmed, and does hereby sell, assign, transfer, pledge and confirm, 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, Meridian 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.

MERIDIAN 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
Trust Indenture and
Security Agreement

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" with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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 N371AA and Manufacturer's Serial Number 25198, 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 and shall include any Replacement Airframe which may from time to time

be 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, such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York, Hartford, Connecticut or such other city and state in which the principal corporate trust office of the Loan Trustee is located and the city and state in which the Loan Trustee disburses funds.

"Delivery Date" means the date of the initial 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.

"Engine" means (i) each of the two General Electric CF6-80C2B6 Engines bearing manufacturer's serial numbers 695- 509 and 695-510 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 and in the case of theft or disappearance,

the continuation thereof of a period not less than 180 days; (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 a requisition for use (x) by the government of the United States which shall have resulted in a loss of possession of the Aircraft for a period extending beyond the latest maturity date of any of the Outstanding Equipment Notes, or, at the Company's option, more than one year beyond the latest maturity date of any of the Outstanding Equipment Notes, (y) by a Government (other than the government of the United States) which shall not have resulted in a loss of possession of the Aircraft for a period extending beyond the latest maturity date of any of the Outstanding Equipment Notes or (z) by the government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which bears the full faith and credit of such government, which shall have not have resulted in a loss of possession of the Aircraft for a period in excess of 180 days, or, if earlier, for a period extending 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 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 six consecutive months; or (v) the operation or location of the Aircraft, while under requisition for use, by any 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 Company shall have obtained indemnity in lieu thereof from a Government; provided that in the case of an event described in clauses (i), (iii) and (v), 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 is given pursuant to this Indenture, then such event shall, at the option of the Company, not constitute an Event of Loss. An Event of Loss with respect to an 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, and the United Kingdom, and any instrumentality or agency thereof whose obligations bear the full faith and credit of the appplicable government listed above.

"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" 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 1994 PTC Series AA), dated as of May 15, 1992 and as 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 that were not custom made specifically for use on the Aircraft or originally part of 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 title to which remains vested in the Company in accordance with Section 8 of Article 15 hereof.

"Payment or Bankruptcy Default" shall mean an event which, after notice or lapse of time or both, 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).

"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 MF-1), dated as of May 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 1994 PTC Series AA), dated as of May 26, 1994, 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" shall 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; provided, however, that both Engines shall be of the same manufacturer.

"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 responsbilities 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.

"Tax" and "Taxes" shall have the meanings 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 in 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; and

third, 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 the 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, premium, if any, 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; and

third, 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 any 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, premium, if any, and accrued interest on all Outstanding Equipment Notes then due and payable and all other amounts 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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, the premium, if any, 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, premium, if any, 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 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 irrevocable 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 but unpaid interest thereon to, but not including, the applicable Redemption Date plus all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter, without premium. 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, upon at least 30 days' prior irrevocable notice to the Loan Trustee, provided that all Outstanding Equipment Notes then held in the same Pass Through Trust are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter without premium. 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, to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's

address appearing in the Register.

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 having been given as aforesaid, the Equipment Notes 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 Equipment Notes then Outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption 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, premium, if any, 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 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 premium, if any, 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 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

(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, no such failure shall constitute an Event of Default hereunder for a period of 360 days from the date of such notice so long as the Company is diligently proceeding to remedy such failure; 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 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration.

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 such 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 other 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 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 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 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 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 of 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 other 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 appraisement 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, premium, if any, 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, premium, if any, 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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, premium, if any, 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 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 is 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).

(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 compliance with subsection (a) of this Section 11.06 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 in effect on the Relevant Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants), Section 8, Section 10, Section 13, Section 16(b), and to the extent the Loan Participants would be adversely affected thereby, 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, 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 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, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex,

telemessage, 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
750 Main Street
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AA)
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

(b) The Company or the Loan Trustee by notice to the other 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 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 have 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 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 and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Corporation 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, 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.

(O) 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 or in this Indenture except (i) the respective rights of Loan Trustee and the Company as herein provided, the Lien created under this Indenture, and the rights of the Loan Trustee and the Loan Participants under this Indenture, the Participation Agreement and the Pass Through Trust 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) 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 significant danger of the sale, forfeiture or loss of the Airframe or any Engine or any 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 significant 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 or any lessee with respect to which an appeal or proceeding for review is being prosecuted in good faith, so long as any such judgment or award does not involve any significant risk of the sale, forfeiture or loss of the Airframe or any Engine or any interest therein (unless the Company or any lessee shall have provided a bond or other security in an amount and under terms reasonably satisfactory to the Company) 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) at all times cause the Aircraft to remain duly registered under the laws of the United States, in the name of the Company, as owner; 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 to the conditions and requirements of Section 7.02 of this Indenture, at no expense or liability to any Loan Participant or the Loan Trustee, the Company may cause the Aircraft to be duly registered under the laws of any jurisdiction in the name of the Company or of any nominee of the Company, or, if required by applicable law, in the name of any other Person, 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 767-323ER aircraft and General Electric CF6-80C2B6 engines (or, at the Company's option, in accordance with the aircraft maintenance standards for such aircraft and engines approved by the central civil aviation authority of any of Canada, the Federal Republic of Germany, France, Japan, Switzerland, the United Kingdom or any other jurisdiction with aircraft maintenance standards that are, at the time that such standards become applicable to the Aircraft, substantially similar to those of the United States or substantially similar to those of any of the foregoing countries on the Delivery Date) 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 an operating condition as when delivered to the Company hereunder, 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) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction;

(iii) maintain all records, logs and other materials in English and such other languages as are, from time to time, required by the appropriate authorities in the jurisdiction where the Aircraft is registered and maintained 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 government or 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 the 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 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 reasonable judgment, threatened area of hostilities unless covered by war risk insurance of the type required to be maintained in Section 11 of this Article, or unless the Aircraft is operated or used under contract with any Government, 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 and for injury to persons and 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 (or in the case of a lease described in clause (viii) or (ix) below, a Payment or Bankruptcy 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 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 of this Article, 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, and as to which there is in full force and effect an air carrier operating certificate issued pursuant to Part 121 of the regulations under such Act, 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 and which is principally based in and a domiciliary of either (A) a country listed in Schedule I or Schedule I-A hereto or (B) a country as to which the Company has delivered an opinion to the effect specified in clause (y) of paragraph (ix) of this section 7(b) with respect to such interchange agreement (mutatis mutandis) with such foreign air carrier (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, permits or requires or results in 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 or any instrumentality or agency thereof pursuant to a lease, 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 States 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. Sec. 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 (ii), (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, require or result in 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 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) 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 this 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 if such installation shall adversely affect the Loan Trustee's interest in such Engine, 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 that is listed in Schedule 1 hereto, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Schedule 1-A hereto, or (C) any foreign air carrier not described in clause (A) or (B) above, provided that (y) prior to any lease to a foreign air carrier under clause (C) above, the Loan Trustee shall have received an opinion of counsel to the Company licensed in the country in which the lessee is domiciled and principally based, such counsel to be reasonably satisfactory to the Loan Trustee, to the effect that (1) there exist no possessory rights in favor of the lessee under the laws of the lessee's country which would, upon the bankruptcy or insolvency of or other default by the Company and assuming that at such time such lessee is not insolvent or bankrupt, 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 terms hereof upon the exercise by the Loan Trustee of its remedies hereunder, (2) the remedies provided in the lease are enforceable in the country in which such foreign air carrier is a domiciliary and principally based, to substantially the same extent as such remedies would be enforceable in the United States and the lease is subject and subordinate to the Lien of this Indenture, (3) it is not necessary for the Loan Trustee to qualify to do business in such country solely as a result of the proposed lease and (4) the proposed lease will not give rise to tort liability to 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 in the absence of such lease (it being understood that, in the event the opinion set forth in this subclause (4) 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) 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 lessee or other 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, Section 7(a) of this Article and 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 and insurance of the Aircraft. 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. No sublease of the Airframe or Engines shall be permitted except in connection with a transaction that involves such a sublease commencing at the inception of the lease and in which each sublessee and sublease satisfies the conditions contained in this Section 7(b) with respect to lessees and leases, respectively. The Company shall not lease the Airframe or any Engine to an air carrier that at the inception of the lease is subject to bankruptcy or other insolvency proceedings unless the lease shall have been approved by the United States Bankruptcy Court and payments thereunder shall have been accorded priority treatment in such bankruptcy or other insolvency or, in the case of a lease to a foreign air carrier, the lease shall have been approved by the corresponding foreign authority and payments thereunder shall have been accorded priority treatment in such bankruptcy or other insolvency and the Loan Trustee shall have received an opinion in form and substance reasonably satisfactory to the Company and the Loan Trustee of the Company's counsel to the effect that such approval provides the Company with assurances and priority treatment substantially equivalent to those that would be provided by the corresponding United States Bankruptcy Court. The Company shall, promptly (and in any event within 15 days) upon entering into a lease of the Airframe or Engines, notify the Loan Trustee of the identity of the lessee and the term of such lease and shall provide a copy of such lease agreement to the Loan Trustee upon request therefrom (with economic and financial provisions and information deleted therefrom if the Company shall so choose), provided that such parties shall keep confidential the identity of the lessee and the existence and terms of such lease, except that such parties may disclose such information (A) to committed (subject to receipt of such information and other customary closing conditions) transferees of the Loan Trustee's interest who agree to hold such information confidential, (B) to the Loan Trustee's counsel, independent insurance advisors or other agents who agree to hold such information confidential and (C) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation. The Loan Trustee hereby agrees, for the benefit of the lessor or secured party of any airframe leased to 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 affix on or 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 "MORTGAGED TO STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE" (such nameplate to be replaced, if necessary, with a name plate reflecting the name of any successor Loan Trustee). Except as above provided, the Company 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 the Company (or any lessee) 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. 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 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 be replaced by Parts which have been incorporated or installed in or attached to the Airframe or any Engine, 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 such replacement Part shall thereupon shall be free and clear of all Liens (except for Permitted Liens) and (ii) such replacement Part shall become subject to the Lien of 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. Upon such replacement Part becoming subject to the Lien of this Indenture, title to the replaced Part shall thereupon vest in the Company, free and clear of all rights of the Loan Trustee and each Loan Participant, and such replaced Part shall no longer be deemed a Part hereunder.

(b) Pooling of Parts. Any Part removed from the Airframe or an 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 an 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 shall, at its expense, as promptly thereafter as practicable, either (i) cause title to such replacement Part to vest in the Company free and clear of all Liens (other than Permitted Liens) at which time such replacement Part shall in accordance with Section 8(a) of this Article, become a Part and subject to the Lien of this Indenture or (ii) replace 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 and by causing title to such further replacement Part to vest in the Loan Trustee in accordance with Section 8(a) of this Article. Upon title to such replacement Part vesting in the Company, such replacement Part shall become subject to Lien of this Indenture and be deemed part of the Airframe or such Engine for all purposes to the same extent as the Part originally incorporated or installed in or attached to the Airframe or such Engine, and title to the replaced Part shall vest in the Company, free and clear of all rights of the Loan Trustee and each Loan Participant, and such replaced Part shall no longer be deemed a Part hereunder.

(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 or involve a significant risk of the imposition of criminal liability on the Loan Trustee or any Loan Participant. 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 alteration, modification, addition or removal shall diminish the value or utility of the Airframe or such Engine, or 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 original value of all such obsolete or unsuitable Parts

removed from the Aircraft and not replaced during the Term shall not exceed $400,000. 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, so long as no Indenture Event of Default shall have occurred and be continuing, 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 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 Section 7 of this Article or the first sentence of this Section 8(c) other than the proviso thereto, and (iii) such Part can be removed from the Airframe or such Engine without diminishing or impairing the value, utility, condition or airworthinness required to be maintained by the terms of this Indenture which the Airframe or such Engine would have had at such time 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. (a) Event of Loss with Respect to the Airframe. Upon the occurrence of an Event of Loss with respect to the Airframe or the Airframe and any Engines installed on the Airframe, the Company shall forthwith (and, in any event, within 15 days after such occurrence) give the Loan Trustee written notice of such Event of Loss, specifying the date of such occurrence, 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 15 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 181st

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 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), 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 Indenture); provided that if the Company shall have elected to replace the Airframe and such Engines, but shall not have performed 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.

(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; 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 earlier of (x) the Business Day next following the 181st day next following the date of occurrence of the Event of Loss and (y) a 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, in the case of the Airframe, 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 the 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(a) 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, and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10, 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 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, (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 the United States government, or any other Government 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 the United States government, or any other Government or government (including for this purpose any agency or instrumentality thereof), not constituting an Event of Loss, 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 (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 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 any Payment or Bankruptcy Default, 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 Indenture Default, 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 180 days after an Indenture Event of Default or Payment or Bankruptcy 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. (a) Public Liability and Property Damage Insurance. 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, the Pass Through Trustee or any Loan Participant 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 3l, 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 3l, 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 and 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 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 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 coverage which affects the coverage certified hereunder to the Loan Trustee 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 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 or by 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 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 or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee 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 and that the exercise by such insurers of rights of subrogation derived from rights retained by the Company will not delay payment of any claims that would otherwise be payable but for the exercise of such rights of subrogation, (F) shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee or the Pass Through Trustee with respect to its Interest 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 individual capacity, as the Loan Trustee or the Pass Through Trustee, as the case may be, in the transactions contemplated by this Indenture and the Participation Agreement. 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 the Loan Participants) 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 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 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, political 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 the determination thereof, an amount equal to 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) l-l/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 3l, 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 provide that any loss in excess of $10,000,000, up to the amount of the Outstanding principal amount of the Equipment Notes plus accrued interest thereon, for any loss or damage to the Aircraft (or Engines) 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 that all other amounts shall be payable to the Company unless the insurer shall have received notice that an Indenture Event of Default or Payment or Bankruptcy Default exists, in which case all insurance proceeds up to amount equal to the Outstanding principal amount of the Equipment Notes plus accrued interest thereon payable by the Company shall be payable to the Loan Trustee, (B) shall provide that in respect of the respective interests of the Loan Trustee 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 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 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 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, political risk and allied perils coverage)

after receipt by the Loan Trustee 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 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 any rights of set-off, counterclaim or any other deduction, whether by attachment or otherwise, which they may have against the Loan Trustee or the Pass Through Trustee and shall be primary without right of contribution from any other insurance which may be carried by the Loan Trustee or the Pass Through Trustee with respect to its interests as such in the Aircraft and (F) shall provide that the insurers shall waive any rights of subrogation against the Loan Trustee and 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 insurers of rights of subrogation derived from rights retained by the Company shall not, in any way, delay payment of a claim that would otherwise be paid 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 may furnish such certification to the Loan Participants) 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(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 to indemnify the Company against any of the risks which the Company is required hereunder to insure against by such Government in any amount up to, at the date of determination

thereof, an amout 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.

(c) Application of Insurance Payments. Between the Loan Trustee and the Company it is as agreed that all insurance payments received under policies required to be maintained by the Company hereunder, exclusive of any payments received in excess of the Outstanding principal amount of the Equipment Notes plus accrued interest thereon 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 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 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, 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, 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 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 received under policies maintained by the Company in excess of the Outstanding principal amount of the Equipment Notes plus accrued interest thereon for the Aircraft shall be paid to the Company.

As between the Loan Trustee and the Company the insurance payments of any property damage loss received under policies required to be maintained hereunder 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 Payment or Bankruptcy Default 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 Payment or Bankruptcy Default, 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 such event or Indenture Event of Default shall have occurred and during which period the Loan Trustee shall not have exercised any remedy available to it under Section 8 hereof, then such amount shall be paid to the Company, unless the Loan Trustee shall have been prohibited by operation of law or otherwise from exercising such remedies.

(d) Reports, Etc. Annually upon renewal of the Company's insurance coverage, the Company will furnish to the Loan Trustee (and the Loan Trustee may furnish such reports to the Loan Participants) 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 accountants, agents and legal counsel and any Person with whom 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 11(d) 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 and 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 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.

(e) 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 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 provided further, that 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.

Section 12. Inspection. At all reasonable times so long as any Equipment Notes are outstanding, but upon at least 10 days' prior written notice to the Company, the Loan Trustee or its 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 or 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. So long as any Equipment Notes remain Outstanding, upon Loan Trustee's request, the Company will notify the Loan Trustee of the next scheduled "heavy maintenance" check or "C" check 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 also agrees to furnish the Loan Trustee (i) within 60 days after the end of each of the first three quarterly periods in each fiscal year of the Company, either (a) 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 for such period, certified by a Responsible Officer as presenting fairly, in accordance with generally accepted accounting principles, the information contained therein or (b) a report of the Company on Form 10-Q in respect of such period filed with the Securities and Exchange Commission, provided such report contains the financial statements specified in clause (i)(a), (ii) within 120 days after the close of each fiscal year of the Company, either (a) 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 for such fiscal year, as certified by independent public accountants, or (b) a report of the Company on Form 10-K in respect of such year filed with the Securities and Exchange Commission, provided such report contains the financial statements specified in (ii)(a), and (iii) within 120 days after the close of each fiscal year of the Company, a certificate of the Company, signed by a Responsible Officer to the effect that the signer has reviewed the relevant terms of this Indenture 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.

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. Each 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 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 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 a legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit D-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.

All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

Exhibit D-1
to Trust Indenture and
Security Agreement

Form of (Installment)* Equipment Notes

No. _____ $ _____

1994 EQUIPMENT NOTES SERIES AA

AMERICAN AIRLINES, INC.,

Issued in connection with Aircraft N371AA

INTEREST RATE	MATURITY DATE
----	(, 20)* (----)**

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 principal amount remaining unpaid from time to time)* (thereon)** at the rate per annum specified above, from May 26, 1994 or from the most recent date to which interest has been paid or duly provided for, semi-annually, on May 26 and November 26 in each year, commencing , , until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994 (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

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* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this 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) the Loan Trustee is not and shall not be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture, except as provided in the Indenture in the case of the Loan 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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.

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* Include for Installment Equipment Notes only.

Payment of the principal of, premium, if any, and interest on this Equipment Notes 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.

This Equipment Notes shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Equipment Notes has been executed on behalf of the by the Company 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the 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 in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

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* Include for Installment Equipment Notes only.

(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 initial principal amount of this Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
_____,_____	_____%
_____,_____	_____
_____,_____	_____
_____,_____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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 provided 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.

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* Include for Installment Equipment Notes only.

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 principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, premium, if any, 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 Equipment Note is transferable, and upon surrender of this 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 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.

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* Include for Installment Equipment Notes only.

The Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of authorized denominations or transferable upon surrender of the Equipment Notes to be exchanged or transferred, 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 Equipment Note, the Loan Trustee, any Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Equipment Notes is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Notes and for all other purposes whatsoever whether or not this Equipment Notes be overdue, and neither the Loan Trustee, any Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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

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

AMERICAN AIRLINES, INC.

By
Name:
Title:

Issue Date:

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

EXHIBIT 4(b)(11)

Exhibit A to Amended
and Restated Trust
Indenture and Security
Agreement

Form of (Installment)* Equipment Notes

No. _____ $ _____

1994 EQUIPMENT NOTES, SERIES AB

WILMINGTON TRUST COMPANY,
Not in its Individual Capacity
but Solely as Owner Trustee Under the
Trust Agreement (AA 1991 AF-1)
(Redesignated AA 1994 PTC Series AB)
Dated as of June 25, 1991

Issued in connection with Aircraft N647AM
Leased to
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
----	(, 20)* (----)**

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1991 AF-1) (redesignated AA 1994 PTC Series AB), dated as of June 25, 1991, 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 principal amount 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, semiannually, on May 26 and November 26 in each year,

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* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

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commencing November 26, 1994, until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994 (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 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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

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* Include for Installment Equipment Notes only.

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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, premium, if any, and interest on this 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.

This Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights 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 by the Indenture, to all of which terms and conditions in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

(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 initial principal amount of this Equipment Note which is set forth above.

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* Include for Installment Equipment Notes only.

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Installment Payment Date	Installment Payment Percentage
_____ , _____	_____ %
_____ , _____	_____
_____ , _____	_____
_____ , _____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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, premium, if any, and interest on the

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* Include for Installment Equipment Notes only.

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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 and herein set forth, this Equipment Note is transferable, and upon surrender of this 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 his attorney duly authorized in writing, one or more new 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 EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS 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 Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the 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 Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may

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deem and treat the person in whose name this Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Note and for all other purposes whatsoever whether or not this 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 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)

(Corporate Seal)

Attest:

(Title)

Issue Date:

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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

Exhibit C to
Amended and Restated
Trust Indenture and
Security Agreement

(TRUST AGREEMENT AND)* INDENTURE SUPPLEMENT NO. **
(AA 1994 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 1991 AF-2) (redesignated AA PTC 1994 Series AB), dated as of June 25, 1991 (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 1994 PTC Series AB), dated as of May 26, 1994 (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

* 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.

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, premium, if any, and interest, due with respect to all of the Equipment Notes from time to time Outstanding under the Indenture and the other Operative Documents and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions in the Indenture and the other Operative Documents, for the benefit of the Loan Participants and, subject to the terms and conditions of the Indenture and the other Operative Documents, and in consideration of the premises and of the sum of $1.00 paid to the Owner Trustee by the Loan Trustee, the receipt whereof is hereby acknowledged, the Owner Trustee by these presents has sold, assigned, transferred, pledged and confirmed, and does hereby sell, assign, transfer, pledge and confirm, 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
Trust Indenture and
Security Agreement

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" with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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 757-223 aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N647AM and Manufacturer's Serial Number 24605, 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, such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day other than a Saturday, Sunday or other 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, Hartford, Connecticut or such other city and state in which the principal corporate trust office of the Loan Trustee is located and 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 Rolls-Royce RB211-535E4-B engines bearing manufacturer's serial numbers 31086 and 31089 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 requistion 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 appplicable government listed above.

"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" 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 1994 PTC Series AB), dated as of June 25, 1991, 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 July 21, 1988, 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 757 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 1991 AF-1), dated as of June 25, 1991, 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 1994 PTC Series AB), dated as of May 26, 1994, 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" shall mean a Boeing 757-200 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 Rolls-Royce RB211-535E4-B 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 responsbilities 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 in 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; and

third, 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 the 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, premium, if any, 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; and

third, 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 any 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, premium, if any, and accrued interest on all Outstanding Equipment Notes then due and payable and all other amounts 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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, the premium, if any, 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, premium, if any, 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 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 irrevocable 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 but unpaid interest thereon to, but not including, the applicable Redemption Date plus all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter, without premium. 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, upon at least 30 days' prior irrevocable notice to the Loan Trustee, provided that all outstanding equipment notes then held in the same Pass Through Trust are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter without premium. 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, to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's address appearing in the Register.

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 having been given as aforesaid, the Equipment Notes 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 Equipment Notes then Outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption 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, premium, if any, 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 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 premium, if any, 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 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

(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 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration.

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 such 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 other 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 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 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 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 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 of 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 other 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 appraisement 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, premium, if any, 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, premium, if any, 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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, premium, if any, 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 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 is 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).

(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 compliance with subsection (a) of this Section 11.06 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 in effect on the Relevant Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants), Section 8, Section 10, Section 13, Section 16(b), and to the extent the Loan Participants would be adversely affected thereby, 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, 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 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, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telemessage, 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
750 Main Street
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AB)
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

(b) The Company or the Loan Trustee by notice to the other 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 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 have 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 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 and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Corporation 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 Equipment Notes 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.

(O) 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 hereunder, and the rights of each Loan Participant, the Loan Trustee and the Pass Through Trust Trustee under this Indenture 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 757-200 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 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 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 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. # 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 (ii), (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 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) 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 Trustees 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 757-200 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 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 or Parts; provided that no such alterations, modification, addition 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 alternation, 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, with our 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 which the Airframe or such Engine would have had at such time 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 not 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. (a) Event of Loss with Respect to an Airframe. 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; 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) a 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 the 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, and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10, 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. (a) Public Liability and Property Damage Insurance. 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 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 abovementioned 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 and 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 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 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 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 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 nor 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 or 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 nor the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee 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 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 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 provide 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 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 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 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 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 by the Loan Trustee 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 or the Pass Through Trustee 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 the Loan Trustee or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee and 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 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 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 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 payments 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) or 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 if 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 and 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 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 or its 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 of any court 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. Each 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 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 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 a legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit D-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.

All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

Exhibit D-1
to Trust Indenture and
Security Agreement

Form of (Installment)* Equipment Notes

No. _____ $ _____

1994 EQUIPMENT NOTES SERIES AB

AMERICAN AIRLINES, INC.,

Issued in connection with Aircraft N647AM

INTEREST RATE	MATURITY DATE
----	(, 20)*
	(----)**

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 principal amount 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, semi-annually, on May 26 and November 26 in each year, commencing _____ until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994 (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

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this 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) the Loan Trustee is not and shall not be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture, except as provided in the Indenture in the case of the Loan 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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.

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* Include for Installment Equipment Notes only.

Payment of the principal of, premium, if any, and interest on this Equipment Notes 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.

This Equipment Notes shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Equipment Notes has been executed on behalf of the by the Company 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the 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 in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

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* Include for Installment Equipment Notes only.

(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 initial principal amount of this Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
,	%
,	
,	
,	)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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 provided 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.

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* Include for Installment Equipment Notes only.

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 principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, premium, if any, 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 Equipment Note is transferable, and upon surrender of this 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 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.

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* Include for Installment Equipment Notes only.

The Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of authorized denominations or transferable upon surrender of the Equipment Notes to be exchanged or transferred, 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 Equipment Note, the Loan Trustee, any Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Equipment Notes is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Notes and for all other purposes whatsoever whether or not this Equipment Notes be overdue, and neither the Loan Trustee, any Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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

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

AMERICAN AIRLINES, INC.

By _____
Name:
Title:

Issue Date:

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

Exhibit 4(b)(12)

Exhibit A to Amended and
Restated Trust Indenture
and Security Agreement

Form of (Installment)* Equipment Notes

No. _____ $ _____

1994 EQUIPMENT NOTES, SERIES AC

WILMINGTON TRUST COMPANY,
Not in its Individual Capacity
but Solely as Owner Trustee Under the
Trust Agreement (AA 1991 AF-2)
(Redesignated AA 1994 PTC Series AC)
Dated as of June 25, 1991

Issued in connection with Aircraft N648AA
Leased to
AMERICAN AIRLINES, INC.

INTEREST RATE	MATURITY DATE
_____	(_____ , 20 __)*
	(____)**

WILMINGTON TRUST COMPANY, not in its individual capacity, but solely as owner trustee (the "Owner Trustee") under that certain Trust Agreement (AA 1991 AF-2) (redesignated AA 1994 PTC Series AC), dated as of June 25, 1991, 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 principal amount 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, semiannually, on May 26 and November 26 in each year,

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* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

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commencing November 26, 1994, until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Owner Trustee hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994 (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 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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

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* Include for Installment Equipment Notes only.

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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, premium, if any, and interest on this 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.

This Equipment Note shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights 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 by the Indenture, to all of which terms and conditions in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

(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 initial principal amount of this Equipment Note which is set forth above.

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* Include for Installment Equipment Notes only.

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Installment Payment Date	Installment Payment Percentage
_____ , ____	_____ %
_____ , ____	_____
_____ , ____	_____
_____ , ____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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, premium, if any, and interest on the

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* Include for Installment Equipment Notes only.

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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 and herein set forth, this Equipment Note is transferable, and upon surrender of this 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 his attorney duly authorized in writing, one or more new 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 EQUIPMENT NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF A TRANSFER OF THIS 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 Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of any authorized denominations or transferable upon surrender of the 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 Equipment Note, the Owner Trustee, the Loan Trustee, the Paying Agent, the Registrar and the Company may

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deem and treat the person in whose name this Equipment Note is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Note and for all other purposes whatsoever whether or not this 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 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)

(Corporate Seal)

Attest:

(Title)

Issue Date:

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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

Exhibit C to
Amended and Restated
Trust Indenture and
Security Agreement

(TRUST AGREEMENT AND)* INDENTURE SUPPLEMENT NO. **
(AA 1994 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 1991 AF-2) (redesignated AA PTC 1994 Series AC), dated as of June 25, 1991 (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 1994 PTC Series AC), dated as of May 26, 1994 (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.

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, premium, if any, and interest, due with respect to all of the Equipment Notes from time to time Outstanding under the Indenture and the other Operative Documents and the performance and observance by the Owner Trustee of all the agreements, covenants and provisions in the Indenture and the other Operative Documents, for the benefit of the Loan Participants and, subject to the terms and conditions of the Indenture and the other Operative Documents, and in consideration of the premises and of the sum of $1.00 paid to the Owner Trustee by the Loan Trustee, the receipt whereof is hereby acknowledged, the Owner Trustee by these presents has sold, assigned, transferred, pledged and confirmed, and does hereby sell, assign, transfer, pledge and confirm, 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
Trust Indenture and
Security Agreement

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" with respect to a specified Person, means any other Person directly or indirectly controlling or controlled by or under direct or indirect 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 757-223 aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N648AA and Manufacturer's Serial Number 24606, 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, such replaced Airframe shall cease to be an Airframe hereunder.

"Business Day" means any day other than a Saturday, Sunday or other 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, Hartford, Connecticut or such other city and state in which the principal corporate trust office of the Loan Trustee is located and 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 Rolls-Royce RB211-535E4-B engines bearing manufacturer's serial numbers 31088 and 31090 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 requistion 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 appplicable government listed above.

"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" 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 1994 PTC Series AC), dated as of June 25, 1991, 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 July 21, 1988, 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 757 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 1991 AF-2), dated as of June 25, 1991, 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 1994 PTC Series AC), dated as of May 26, 1994, 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" shall mean a Boeing 757-200 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 Rolls-Royce RB211-535E4-B 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 responsbilities 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 in 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; and

third, 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 the 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, premium, if any, 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; and

third, 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 any 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, premium, if any, and accrued interest on all Outstanding Equipment Notes then due and payable and all other amounts 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, premium, if any, and interest; and in case such payments or amounts shall be insufficient to pay in full the whole amount so due and unpaid, then to the payment of such principal, premium, if any, and interest, without any preference or priority of one Equipment Note over another, ratably according to the aggregate amount so due for principal, premium, if any, and interest at the date fixed by the Loan Trustee for the distribution of such payments or amounts; and

fourth, 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 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, the premium, if any, 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, premium, if any, 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 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 irrevocable 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 but unpaid interest thereon to, but not including, the applicable Redemption Date plus all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter, without premium. 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, upon at least 30 days' prior irrevocable notice to the Loan Trustee, provided that all outstanding equipment notes then held in the same Pass Through Trust are simultaneously being redeemed, each Outstanding Equipment Note having the maturity 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 all other amounts payable to the Loan Participants plus, in the case of each Equipment Note, a premium, in an amount equal to the Make-Whole Amount, if any, if redeemed prior to the Premium Termination Date applicable to such Equipment Note, but if redeemed thereafter without premium. 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, to each Loan Participant holding Equipment Notes to be redeemed, at such Loan Participant's address appearing in the Register.

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 having been given as aforesaid, the Equipment Notes 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 Equipment Notes then Outstanding shall cease to bear interest. Upon surrender of any such Equipment Note for redemption 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, premium, if any, 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 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 premium, if any, 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 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

(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 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. 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, premium, 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, premium, if any, or interest on the Equipment Notes that has become due solely because of such acceleration.

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 such 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 other 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 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 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 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 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 of 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 other 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 appraisement 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, premium, if any, 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, premium, if any, 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, premium, if any, or interest on, any Equipment Note; or

(2) change the date on which any principal amount of, premium, if any, 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 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 is 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).

(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 compliance with subsection (a) of this Section 11.06 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 in effect on the Relevant Date: Section 7 (insofar as such Section 7 relates to the Loan Trustee, the Indenture Estate and the Loan Participants), Section 8, Section 10, Section 13, Section 16(b), and to the extent the Loan Participants would be adversely affected thereby, 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, 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 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, telemessage, telecopy, telefax, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telex, telemessage, 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
750 Main Street
Hartford, Connecticut 06103

Attention: Corporate Trust Department
(AA 1994 PTC Series AC)
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

(b) The Company or the Loan Trustee by notice to the other 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 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 have 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 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 and delivery of such new series of Equipment Notes the Loan Trustee shall have received (i) written evidence from Standard & Poor's Corporation 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 Equipment Notes 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.

(O) 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 hereunder, and the rights of each Loan Participant, the Loan Trustee and the Pass Through Trust Trustee under this Indenture 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 757-200 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 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 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 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);

(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 (ii), (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 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) 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 Trustees 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 757-200 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 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 or Parts; provided that no such alterations, modification, addition 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 alternation, 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, with our 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 which the Airframe or such Engine would have had at such time 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 not 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. (a) Event of Loss with Respect to an Airframe. 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; 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) a 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 the 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, and each Replacement Engine, if any, in which a security interest has been granted to the Loan Trustee under this Section 10, 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. (a) Public Liability and Property Damage Insurance. 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 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 abovementioned 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 and 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 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 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 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 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 nor 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 or 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 nor the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee 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 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 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 provide 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 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 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 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 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 by the Loan Trustee 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 or the Pass Through Trustee 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 the Loan Trustee or the Pass Through Trustee and (ii) any rights of subrogation against the Loan Trustee and 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 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 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 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 payments 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) or 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 if 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 and 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 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 or its 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 of any court 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. Each 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 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 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 a legend as described in the immediately preceding sentence, at the option of the Loan Trustee or if requested by the Company, any Equipment Note issued after the Relevant Date shall be substantially in the form set forth in Exhibit D-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.

All provisions of the Indenture not specifically amended by operation of this Exhibit D shall remain in full force and effect.

SCHEDULE I
TO EXHIBIT D

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

Exhibit D-1
to Trust Indenture and
Security Agreement

Form of (Installment)* Equipment Notes

No. _____ $ _____

1994 EQUIPMENT NOTES SERIES AC

AMERICAN AIRLINES, INC.,

Issued in connection with Aircraft N648AA

INTEREST RATE	MATURITY DATE
____	(_____, 20 __)* (____)**

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 principal amount 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, semi-annually, on May 26 and November 26 in each year, commencing until the principal hereof is paid or made available for payment (in full).* All amounts payable by the Company hereunder and under the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994 (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

_____

* Include for Installment Equipment Notes only.

** Include for all non-Installment Equipment Notes.

trustee thereunder, shall be made only from the income and proceeds of the Indenture Estate. Each Loan Participant, by its acceptance of this 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) the Loan Trustee is not and shall not be personally liable to the Loan Participant for any amount payable hereunder or under the Indenture, except as provided in the Indenture in the case of the Loan 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 Equipment Note (or one or more predecessor 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 Equipment Note is registered upon issuance) and may be paid to the Person in whose name this Equipment Note (or one or more predecessor 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.

_____

* Include for Installment Equipment Notes only.

Payment of the principal of, premium, if any, and interest on this Equipment Notes 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.

This Equipment Notes shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose unless this Equipment Notes has been executed on behalf of the by the Company 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 Indenture and all supplements and amendments thereto (a copy of which is 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 thereby conveyed, pledged and assigned, the nature and extent of the security, the respective rights thereunder of the 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 in the Indenture each Loan Participant agrees by its acceptance of this Equipment Note.

_____

* Include for Installment Equipment Notes only.

(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 initial principal amount of this Equipment Note which is set forth above.

Installment Payment Date	Installment Payment Percentage
_____ , _____	_____ %
_____ , _____	_____
_____ , _____	_____
_____ , _____	_____)*

As more fully provided in the Indenture, the Equipment Notes are subject to redemption, on not less than 25 nor more than 60 days' notice by mail, under the circumstances set forth in the Indenture, at a redemption price equal to the unpaid principal amount thereof, premium, 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 provided 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.

_____

* Include for Installment Equipment Notes only.

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 principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay principal of, premium, if any, 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 Equipment Note is transferable, and upon surrender of this 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 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.

_____

* Include for Installment Equipment Notes only.

The Equipment Notes are issuable only as registered Equipment Notes. The Equipment Notes are issuable in denominations of $1,000 and integral multiples thereof except that one 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, Equipment Notes are exchangeable for an equal aggregate principal amount of Equipment Notes of the same type, having the same Maturity Date and of authorized denominations or transferable upon surrender of the Equipment Notes to be exchanged or transferred, 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 Equipment Note, the Loan Trustee, any Paying Agent, the Registrar and the Company may deem and treat the person in whose name this Equipment Notes is registered as the absolute owner hereof for the purpose of receiving payment of the principal of and interest on this Equipment Notes and for all other purposes whatsoever whether or not this Equipment Notes be overdue, and neither the Loan Trustee, any Paying Agent, the Registrar nor the Company shall be affected by notice to the contrary.

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

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

AMERICAN AIRLINES, INC.

By_____
Name:
Title:

Issue Date:

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

EXHIBIT 4(C)(7)

Draft -- May 27, 1992

PARTICIPATION AGREEMENT
(AA 1992 MF-1)

Dated as of May 15, 1992

Among

AMERICAN AIRLINES, INC.,
as Lessee

MERIDIAN TRUST COMPANY,
as Owner Trustee

FIRST SECURITY BANK OF UTAH, NATIONAL ASSOCIATION,
as Indenture Trustee

MISSION FUNDING EPSILON,
as Owner Participant

and

ROYAL BANK OF CANADA,

and

CREDIT SUISSE, ACTING THROUGH ITS NEW YORK BRANCH,
as ORIGINAL LOAN PARTICIPANTs

_____

One Boeing 767-323ER Aircraft
N371AA
Manufacturer's Serial No. 25198

Leased to American Airlines, Inc.

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PARTICIPATION AGREEMENT
(AA 1992 MF-1)

This PARTICIPATION AGREEMENT (AA 1992 MF-1) (this "Agreement"), dated as of May 15, 1992, among (i) AMERICAN AIRLINES, INC., a Delaware corporation (herein, together with its successors and permitted assigns, called "American" or the "Lessee"), (ii) MISSION FUNDING EPSILON, a California corporation (herein, together with its successors and permitted assigns, called the "Owner Participant"), (iii) MERIDIAN TRUST COMPANY, a Pennsylvania trust company, in its individual capacity only as expressly stated herein, and otherwise not in its individual capacity but solely as trustee under the Trust Agreement (as hereinafter defined) (herein in such capacity, together with its successors and permitted assigns, called the "Owner Trustee"), (iv) FIRST SECURITY BANK OF UTAH, 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 permitted assigns in such capacities, called the "Indenture Trustee"), and (v) ROYAL BANK OF CANADA and CREDIT SUISSE, ACTING THROUGH ITS NEW YORK BRANCH (each herein, together with its successors and permitted assigns, called an "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 or by reference to the Lease (as hereinafter defined) as set forth 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 N371AA and Manufacturer's Serial Number 25198, which is to be financed pursuant to this Agreement (the "Aircraft", as such term is defined in the Lease 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, subject to the terms and conditions set forth herein, (i) American is willing to sell the Aircraft to the Owner Trustee and the Owner Trustee is willing to purchase the Aircraft from American; and (ii) 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 MF-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, the Trust Agreement and Indenture Supplement referred to below), with Meridian 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 or Owner Participants 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 MF-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, the Trust Agreement and Indenture Supplement referred to below), with the Indenture Trustee, pursuant to which Trust Indenture, the Owner Trustee agrees, among other things, for the benefit of the holders from time to time of the Certificates issued thereunder, (i) to assign, mortgage and pledge to 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, a security interest in certain 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 2.01 of the Trust Indenture (individually, a "Certificate", as such term is defined in the Trust Indenture and is hereinafter used with the same meaning, and collectively called the "Certificates") as evidence of the participation by the LOAN PARTICIPANTs 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 (the "Trust Agreement and Indenture Supplement", as such term is defined in the Trust Agreement 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 MF-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 MF-1) relating to the Aircraft, dated as of the date hereof, 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, unless the context otherwise

requires, the Lease Supplement referred to below), with the Lessee, 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 (herein called 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 (AA 1992 MF-1), 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" as such term is defined in the Lease and is hereinafter used with the same meaning);

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; Prepayment 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 an amount equal to Lessor's Cost.

(b) Participation in Lessor's Cost. Subject to the terms and conditions of this Agreement and in reliance on the agreements, covenants, representations and warranties herein contained and made pursuant hereto, (i) each ORIGINAL LOAN PARTICIPANT hereby agrees to participate in the payment of Lessor's Cost by making a secured loan to the Owner Trustee in the amount determined by multiplying Lessor's Cost by the percentage set forth opposite its name in Schedule I hereto, such loan to be evidenced by one or more Certificates issued to each ORIGINAL LOAN PARTICIPANT by the Owner Trustee in the manner described in the Trust Indenture, and (ii) the Owner Participant hereby agrees to participate in the payment of Lessor's Cost by making an investment in the beneficial ownership of the Aircraft in

the amount determined by multiplying Lessor's Cost by the percentage set forth opposite its name in Schedule I hereto. The amount of the Owner Participant's participation determined as above provided is hereinafter called the Owner Participant's "Commitment", and the amount of each LOAN PARTICIPANT'S participation determined as above provided is hereinafter called such LOAN PARTICIPANT'S "Commitment".

(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, and shall not, unless an Event of Default under Section 14(a), insofar as Section 14(a) relates to payments of Basic Rent, Stipulated Loss Value or Termination Value, 14(f), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing, take any action with respect to the Certificates concerning 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. Subject to the next succeeding sentence, 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, and the Lessee accepts such appointment on the terms herein contained. Such appointment and authorization shall be suspended during any period when an Event of Default under Section 14(a), insofar as Section 14(a) relates to payments of Basic Rent, Stipulated Loss Value or Termination Value, 14(f), 14(g), 14(h) or 14(i) of the Lease shall have occurred and be continuing. 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 Owner Trustee (or 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 Owner Trustee (or the Lessee as agent for the Owner Trustee) by delivering telephonic notice to each 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 (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 10:00 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 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 an 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 (or the Owner Trustee, as the case may be) may only select a Short Period Rate (i) during any period, and from time to time during such period, in which, in the case of the Lessee, 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 in which, in the case of the Owner Trustee, the Owner Trustee is in contemplation of a proposed purchase of the Loan Certificates pursuant to Section 2.13 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 sixteenth day of a calendar month. Each 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 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 10:00 A.M. New York City time on the Business Day

immediately preceding such Lease Period Date), to 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) The Lessee agrees to give the Owner Participant, each ORIGINAL LOAN PARTICIPANT, the Indenture Trustee and the Owner Trustee written notice by telex, telegraph, facsimile or other form of telecommunication of the Delivery Date for the Aircraft not later than 1:00 P.M., New York City time, on the second Business Day preceding the Delivery Date for the Aircraft, which notice shall confirm the amount of Lessor's Cost for the Aircraft. Prior to 11:30 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 each ORIGINAL LOAN PARTICIPANT will make the amount of its Commitment available to the Owner Trustee, in each case by transferring or delivering such amount, in immediately available funds, to the Owner Trustee, either directly to, or for deposit in, the Owner Trustee's account at Chase Manhattan Bank, N.A. for the account of Meridian Trust Company as Owner Trustee, ABA Number 021000021, Account No. 920-1-039- 162, Attention Ms. Emma Budget.

(b) Upon receipt by the Owner Trustee of the full amount of the Owner Participant's Commitment and each ORIGINAL LOAN PARTICIPANT'S Commitment for 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 the Owner Participant and the LOAN PARTICIPANT or waived by the Owner Participant and each ORIGINAL LOAN PARTICIPANT, pay to the Lessee from the funds then held by it, in immediately available funds, an amount equal to Lessor's Cost, and simultaneously therewith the Lessee shall deliver the Aircraft to the Owner Trustee, and the Owner Trustee shall accept the Aircraft under the Lease and the Lessee, subject to the conditions set forth in Section 11 having been fulfilled to the satisfaction of the Lessee or waived by the Lessee, shall accept delivery of 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) The Owner Participant agrees that the making 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) 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 10(b) of the Lease, that the Owner Trustee is authorized and directed 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 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 such 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 (M), (Q), (V) and (X) of this Section 4 shall not be conditions precedent to the obligations of the Owner Participant hereunder and paragraphs (T), (U), (Y) and (Z) of this Section 4 shall not be conditions precedent to the obligations of the LOAN PARTICIPANT hereunder):

(A) Each of the Owner Participant and each 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 thereof by appropriate regulatory authorities or any court that would make it illegal for the Owner Participant or each ORIGINAL LOAN PARTICIPANT to execute, deliver and perform the Operative Documents to which it is a party or to make such participation or, in the case of each LOAN PARTICIPANT, to acquire its Certificate.

(C) In the case of each ORIGINAL LOAN PARTICIPANT, the Owner Participant shall have concurrently made available to the Owner Trustee sufficient funds to pay its Commitment for the Aircraft in accordance with Section 2 hereof; and in the case of the Owner Participant, each ORIGINAL LOAN PARTICIPANT shall have concurrently made available to the Owner Trustee its Commitment for the Aircraft in accordance with Section 2 hereof; and in the case of each ORIGINAL LOAN PARTICIPANT, there shall have been duly issued and delivered by the Owner Trustee to such 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 such 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), and shall be in full force and effect, and executed counterparts or copies of each thereof shall have been delivered to the Owner Participant, each ORIGINAL LOAN PARTICIPANT and their respective special counsel:

(i) the Lease;

(ii) the Lease Supplement dated the Delivery Date and the Rent Schedule;

(iii) the Trust Agreement;

(iv) the Trust Indenture, and a Trust Agreement and Trust Indenture Supplement dated the Delivery Date;

(v) the Purchase Agreement (with the exception of certain exhibits and supplements and certain financial information) and the Purchase Agreement Assignment;

(vi) the Tax Indemnity Agreement (for the Owner Participant only);

(vii) 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 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 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") (originals filed with the Federal Aviation Administration, copies to all parties), 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;

(viii) 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; copies to all the parties); and

(ix) a warranty (as to title) bill of sale for the Aircraft (together with the FAA Bill of

Sale collectively called the "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.

(F) A Uniform Commercial Code financing statement or statements covering the security interests 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 Commonwealth of Pennsylvania, and a precautionary 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 each ORIGINAL LOAN PARTICIPANT (acting directly or by authorization to their respective special counsel) shall have received the following:

(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 sale by the Lessee of the Aircraft and 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 any other documents to be executed and delivered by the Lessee in connection with the transactions contemplated hereby;

(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 resolutions of the Board of Directors of the Indenture Trustee, certified by the Secretary or an Assistant Secretary of the Indenture Trustee, 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;

(iv) 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;

(v) 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; and

(vi) 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 any ORIGINAL LOAN PARTICIPANT, as appropriate, may reasonably request in order to establish the consummation of the transactions contemplated by this Agreement and the other Operative Documents, 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 each 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 other than (1) the rights and interests of the Owner Trustee and the Lessee under the Lease and the Lease Supplement covering the Aircraft, (2) the Lien of, and the security interest created by, the Trust Indenture, and the rights of the Indenture Trustee under the Trust Indenture and the Trust Agreement and Indenture Supplement, (3) the beneficial interest of the Owner Participant created by the Trust Agreement and the Trust Agreement and Indenture Supplement covering the Aircraft and (4) 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;

(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; and

(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 upon such registration the Lessee shall have the authority to operate the Aircraft.

(I) On the Delivery Date, the following statements shall be correct: (i) in the case of each of the

Owner Trustee, the Owner Participant, each 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 were 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 consolidated balance sheet of the Lessee and its consolidated subsidiaries as of March 31, 1992, and iii) no event has occurred and is continuing, or would result from the purchase, sale or lease of the Aircraft, 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.

(J) Each of the Owner Participant and each 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 each ORIGINAL LOAN PARTICIPANT shall have received opinions addressed to it from Mudge Rose Guthrie Alexander & Ferdon, special counsel for the Owner Trustee, and from Prokop & Prokop, special Pennsylvania counsel for the Owner Trustee, substantially in the respective forms set forth in Exhibit VII and Exhibit VIII hereto.

(L) Each of the Owner Participant and each ORIGINAL LOAN PARTICIPANT shall have received an opinion addressed to it from Ray, Quinney & Nebeker, special counsel for the Indenture Trustee, substantially in the form set forth in Exhibit IX hereto.

(M) The Indenture Trustee and each of the ORIGINAL LOAN PARTICIPANTs shall have received opinions addressed to it from White & Case, special counsel for the Owner Participant, and from Kenneth S. Stewart, Senior Counsel of Southern California Edison Company,

substantially in the respective forms set forth in Exhibit X and Exhibit XI hereto.

(N) Each of the Owner Participant and each 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 XII hereto.

(O) Each of the Owner Participant and each ORIGINAL LOAN PARTICIPANT shall have received an opinion addressed to it from counsel to the Manufacturer, substantially in the form set forth in Exhibit XIII hereto.

(P) Each of the Owner Participant and each ORIGINAL LOAN PARTICIPANT shall have received a certificate signed by the chief financial or accounting officer, any Senior Vice President, the Treasurer or any Vice President (or any other Responsible Officer) 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 LOAN PARTICIPANT or the Owner Participant) of this Section 4.

(Q) Each of the ORIGINAL LOAN PARTICIPANTs and the Indenture Trustee 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) The Owner Participant and each 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 (disregarding for this purpose the proviso to the definition thereof) attributable to the Owner Trustee exist, that Meridian 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, each ORIGINAL LOAN PARTICIPANT and the Owner Trustee 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 White & Case, 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 dated as of the Delivery Date from Aero Economics, Inc. containing its appraisal of the Aircraft; provided that the Lessee makes no representation as to the fair market value, useful life or estimated residual value of the Aircraft, and the Lessee shall not be responsible for, or incur any liabilities as a result of, the contents of such opinion or the appraisal to which it relates.

(V) Each ORIGINAL LOAN PARTICIPANT shall have received a letter or certificate from an aircraft appraisal company reasonably satisfactory to each ORIGINAL LOAN PARTICIPANT as to the fair market value, useful life and residual value of the Aircraft as of the Delivery Date.

(W) No action or proceeding shall have been instituted nor shall any action be threatened before any court or governmental agency, nor shall any order, judgment or decree have been 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 Agreement and the other Operative Documents or the transactions contemplated hereby and thereby.

(X) Each ORIGINAL LOAN PARTICIPANT shall have received an opinion, in form and substance satisfactory to it, from Winthrop, Stimson, Putnam & Roberts, special counsel to the LOAN PARTICIPANTs.

(Y) The Owner Participant shall have received satisfactory confirmation from the Manufacturer that it will confirm that the Airframe has been manufactured in the United States by a person other than a FSC or a DISC and that no more than 50% of the total purchase price of the Aircraft is attributable to the fair market value of articles which were imported into the United States.

(Z) The Owner Participant shall have received a letter from General Electric Company confirming that each Engine has been manufactured in the United States by a person other than a FSC and that no more than 50% of the total fair market value of each Engine is attributable to the fair market value of articles which were imported into the United States.

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 the Owner Participant, the LOAN PARTICIPANT, the Owner Trustee, the Indenture Trustee and the Lessee an opinion as to the due registration of the Aircraft, 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) any 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) notwithstanding the satisfaction of the conditions set forth in Section 4 (other than the conditions set forth in

paragraphs (M), (Q), (V) and (X) thereof), the Owner Participant shall 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 or telegraphic notice of such default and the Delivery Date for the Aircraft will be postponed to the fifth succeeding Business Day (and the term "Delivery Date" as used in this Agreement shall mean such postponed "Delivery Date"); provided that such postponed Delivery Date shall not be a date later than June 12, 1992. During such period, the Lessee shall have the right to find another leasing or financial institution to be substituted for the defaulting ORIGINAL LOAN PARTICIPANT or Owner Participant, as the case may be, provided that the institution so substituted shall sign and deliver an agreement, in form and substance satisfactory to the Lessee, by which it will assume the Commitment of the defaulting 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 an ORIGINAL LOAN PARTICIPANT or Owner Participant, as the case may be, and shall be deemed substituted for the defaulting ORIGINAL LOAN PARTICIPANT or Owner Participant, as the case may be, for all purposes of this Agreement, the Trust Agreement, the Trust Indenture, the Lease and the other Operative Documents and to have assumed all obligations of the defaulting ORIGINAL LOAN PARTICIPANT or Owner Participant, as the case may be, thereunder which accrue after the date of execution and delivery of such agreement. 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 ORIGINAL LOAN PARTICIPANT or Owner Participant, as the case may be. In the event that the Lessee cannot find another institution to be substituted for the defaulting ORIGINAL LOAN PARTICIPANT or Owner Participant, as the case may be, 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 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 12, 1992), other than pursuant to Section 5(a) hereof, if the Lessee gives the Owner Participant, each 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 5:30 P.M., New York City time, on the originally scheduled Delivery Date, and the term "Delivery Date" as used in this Agreement shall mean any such postponed "Delivery Date".

(c) In the event of any postponement of the Delivery Date pursuant to Section 5(b) hereof, or if on an originally scheduled Delivery Date not postponed as above provided the Aircraft is not delivered or, if delivered, is not accepted by the Owner Trustee for any reason (any such originally scheduled Delivery Date being referred to as the "Scheduled Delivery Date" for the purposes of this Section 5): (i) the Lessee will reimburse each Participant for the loss of the use of its funds occasioned by such postponement or failure to deliver or accept (unless such failure to accept is caused solely by a default by such Participant hereunder) by paying to such Participant on demand interest, if to the Owner Participant, at an interest rate equal to the Base Rate, and, if to any ORIGINAL LOAN PARTICIPANT, at an interest rate equal to 4.8875% per annum, in either case, for the period from and including the Scheduled Delivery Date to but excluding the earlier of the date upon which such funds are returned by the Owner Trustee or the actual date of delivery; provided that the Lessee shall in any event pay to the Owner Participant and such ORIGINAL LOAN PARTICIPANT at least one day's interest at the aforesaid applicable rates on the amount of such funds, unless the Owner Participant or such ORIGINAL LOAN PARTICIPANT, respectively, shall have received, prior to 2:00 P.M., New York City time, on the Business Day preceding the Scheduled Delivery Date, a notice of postponement of the Scheduled Delivery Date pursuant to Section 5(b) hereof, and (ii) the Owner Trustee will return on the fifth Business Day following the Scheduled Delivery Date, or earlier, if so instructed by the Lessee, any funds which it shall have received from any Participant as its Commitment, absent joint instruction from the Lessee and such Participant to retain funds until the specified date of postponement established under Section 5(b).

(d) The Owner Trustee agrees that, in the event it has received telephonic notice (to be confirmed promptly in writing) from the Lessee on the Scheduled Delivery Date for the Aircraft that the Aircraft has not been tendered for

delivery, or, if so tendered, has not been accepted by the Owner Trustee, it will if instructed in the aforementioned notice from the Lessee (which notice shall specify the securities to be purchased) use reasonable efforts to invest, at the risk of the Lessee (except as provided below), the funds received by it from each Participant in Permitted Investments in accordance with the Lessee's instructions. Any such Permitted Investments purchased by the Owner Trustee upon instructions from the Lessee shall be held in trust by the Owner Trustee (but not as part of the Trust Estate under the Trust Agreement and not as part of the Indenture Estate under the Trust Indenture) for the benefit of the Participant delivering such funds and any net profits on the investment of such funds (including interest), if any, shall be for the account of, and shall on the date the Aircraft is delivered under this Agreement and accepted under the Lease (such date being herein called the "Closing Date"), or on the date such funds are returned to such Participant, as the case may be, be paid over to, the Lessee; provided, that Lessee shall have paid to each Participant the interest that has accrued on the amount of their respective Commitments as determined in accordance with Section 5(c). The Lessee shall pay to the Owner Trustee on the Closing Date the amount of any net loss on the investment of such funds invested at the instruction of the Lessee. If the funds furnished by the Participants with respect to the Aircraft are required to be returned to the Participants, the Lessee shall, on the date on which such funds are so required to be returned, reimburse the Owner Trustee, for the benefit of the Participants, for any net losses incurred on such investments. The Owner Trustee shall not be liable for failure to invest such funds or for any losses incurred on such investments except for its own willful misconduct or gross negligence. In order to obtain funds for the payment of Lessor's Cost for the Aircraft or to return funds furnished by the Participants to the Owner Trustee for the benefit of the Participants with respect to the Aircraft, as the case may be, the Owner Trustee is authorized to sell any Permitted Investments purchased as aforesaid with the funds received by it from the Participants in connection with the Aircraft.

(e) Notwithstanding the provisions of this Section 5, no Participant shall be under any obligation to make its Commitment available beyond 5:30 P.M., New York City time, on June 12, 1992.

SECTION 6. Extent of Interest of the Holders of Certificates. The Holder of a Certificate shall have no further interest in, or other right with respect to, the Indenture Estate when and if the principal of, Break Amount, if any, and interest on all Certificates held by such Holder and all other sums then due and payable to such Holder hereunder, under the Trust Indenture and under such Certificates shall have been paid in full.

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 certificated under Section 401 and 604(b) of the Federal Aviation Act, 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 promulgated thereunder, 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) is located at Dallas/Fort Worth International Airport, Texas;

(ii) the execution, delivery and performance by the Lessee 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 and will 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 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 or foreign governmental authority or agency, other than the registration and filings referred to in Section 7(a)(viii);

(iv) this Agreement constitutes, and each other Operative Document to which the Lessee is a party will, when executed, constitute, 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, to the knowledge of Lessee, threatened actions or proceedings before any court or administrative agency or arbitrator which individually or in the aggregate 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, 1991, 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); the unaudited consolidated balance sheet of the Lessee and its consolidated subsidiaries as of March 31, 1992, and the related consolidated statement of operations and cash flows for the interim period then ended, fairly present the consolidated financial position of the Lessee and its consolidated subsidiaries as at such date and the consolidated results of their operations and cash flows for the interim period then ended in accordance with generally accepted accounting principles applied on a consistent basis (subject to normal year-end audit adjustments); since March 31, 1992, 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, 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 the Trust Agreement 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 under the laws of the United States of America or any state thereof 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 (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 the Lease (to the extent that the Lease does not constitute chattel paper as such term is defined in the Uniform Commercial Code) created under the Trust Indenture in favor of the Indenture Trustee in any applicable jurisdiction in the United States of America (other than the filing of a financing statement in respect of such security interests under Article 9 of the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania;

(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 entering into this Agreement or any transaction contemplated hereby with the assets of any "employee benefit plan" (as defined in Section 3(3) of ERISA) or of any "plan" (as defined in Section 4975(e)(1) of the Code); and

(xi) the Lessee is not in default in the performance of any term or condition of the Purchase Agreement.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, IN THE PURCHASE AGREEMENT ASSIGNMENT, OR IN THE LEASE TO THE CONTRARY, BUT SUBJECT NEVERTHELESS TO THE NEXT SUCCEEDING SENTENCE, EXCEPT

TO THE EXTENT SPECIFICALLY PROVIDED IN THE BILLS OF SALE REFERRED TO IN SECTION 4(E)(ix), LESSEE DOES NOT MAKE NOR SHALL LESSEE BE DEEMED TO HAVE MADE, AND LESSEE HEREBY DISCLAIMS, ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE VALUE, WORKMANSHIP, DESIGN, PATENT INFRINGEMENT, MERCHANTABILITY OR FITNESS FOR USE OF THE AIRCRAFT AS OF THE DELIVERY DATE SOLELY FOR THE PURPOSE OF THE SALE OF THE AIRCRAFT ON THE DELIVERY DATE BY THE LESSEE AS CONTEMPLATED HEREBY. NOTHING CONTAINED IN THIS PARAGRAPH IS INTENDED TO BE, NOR SHALL ANYTHING HEREIN BE CONSTRUED TO LIMIT, OR INTERPRETED TO BE IN DEROGATION OF, THE OBLIGATIONS OF THE LESSEE UNDER THIS AGREEMENT OR THE OTHER OPERATIVE DOCUMENTS TO WHICH THE LESSEE IS A PARTY, INCLUDING, WITHOUT LIMITATION, THE LESSEE'S INDEMNITY OBLIGATIONS HEREUNDER.

(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 out-of-pocket costs, disbursements and expenses (including reasonable out-of-pocket 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, each ORIGINAL LOAN PARTICIPANT, the Indenture Trustee and their respective successors and permitted assigns, affiliates, directors, trustees, officers, employees, agents and servants (the respective affiliates, directors, trustees, officers, employees, agents and servants of (a) the Owner Trustee (in both its individual capacity and as Owner Trustee) together with the Owner Trustee, (b) the Owner Participant together with the Owner Participant, (c) the Indenture Trustee together with the Indenture Trustee and (d) each LOAN PARTICIPANT together with such LOAN PARTICIPANT being, in each case, referred to herein collectively as the "Related Indemnitee Group" for 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 each Indemnitee (whether or not any such Claim is also indemnified or insured against by any other Person) against Claims in any way resulting from, relating to or arising out of (i) this Agreement, the Lease, the Trust Indenture, the Trust Agreement, any Lease Supplement or Trust Agreement and Indenture Supplement, or any other Operative Document or any sublease or sub-sublease under the Lease or the enforcement of any of the terms of any thereof, or any amendment, modification or waiver in respect thereof or any of the transactions contemplated hereby or thereby, (ii) the manufacture, purchase, acceptance or rejection of the Aircraft under the Purchase Agreement, the Purchase Agreement Assignment or hereunder, (iii) the ownership, delivery, non-delivery, lease, sublease, possession, use, non-use, substitution, airworthiness, state of airworthiness, control, maintenance, repair, operation, registration, reregistration, condition, sale, storage, modification, alteration, return, transfer or other disposition of the Aircraft, the Airframe, any Engine or any Part (including, without limitation, latent or other defects, whether or not discoverable, and any claim for patent, trademark or copyright infringement), (iv) any breach of, or failure to perform and observe, or any other non-compliance with, any covenant, condition or agreement or other obligation to be performed by Lessee under any of the Operative Documents other than representations and warranties in the Tax Indemnity Agreement, (v) any change in situs of the Trust Estate at the request of Lessee, (vi) the offer, sale or delivery of any Certificates or any interest in the Trust Estate and (vii) the administration of the Trust Estate or the action or inaction of the Owner Trustee under the Trust Agreement. Without limitation of the foregoing, the Lessee agrees (x) 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, the Indenture Trustee and MBI in connection with the transactions contemplated hereby and (y) to pay to the Owner Trustee, the Owner Participant, each LOAN PARTICIPANT and the Indenture Trustee any reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by them in connection with the entering into or giving or withholding

of any future amendments or supplements or waivers or consents with respect thereto.

(4) Claims Excluded. The following are excluded from the Lessee's agreement to indemnify any Indemnitee under this Section 7(b):

(i) Any Claim attributable to acts or events occurring after the earlier of (x) the return of the Aircraft under the Lease in accordance with the terms of 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) except during an exercise of remedies pursuant to Section 15 of the Lease, the expiration or earlier termination of the Lease in accordance with the terms of the Lease under circumstances not requiring the return of the Aircraft, but only to the extent the Lessee has complied with all of its obligations hereunder relating to such expiration or earlier termination;

(ii) Any Claim 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;

(iii) With respect to any particular Indemnitee, any Claim attributable to the gross negligence or willful misconduct of such Indemnitee or any of such Indemnitee's Related Indemnitee Group (other than any gross negligence or willful misconduct imputed as a matter of law to such Indemnitee or any of such Indemnitee's Related Indemnitee Group solely by reason of its status as a party to, or a member of a Related Indemnitee Group of a party to, any of the Operative Documents);

(iv) Any Claim to the extent attributable to the noncompliance by such Indemnitee or any of such Indemnitee's Related Indemnitee Group with any of the terms of, or any misrepresentation by such Indemnitee contained in, this Participation Agreement or any other Operative Document to which such Indemnitee is a party or any agreement relating hereto or thereto;

(v) Any Claim that constitutes a Permitted Lien attributable to such Indemnitee;

(vi) Any Claim attributable to the offer, sale or disposition (voluntary or involuntary) by or on behalf of such Indemnitee of its interest in any Certificates or in the Trust Estate or the Trust Agreement, or any similar security, other than a transfer by such Indemnitee pursuant to Section 8, 9, 10, 15 or 20 of the Lease or Section 2.13 or Article IV of the Trust Indenture arising as a result of an Event of Default under the Lease;

(vii) Any Claim attributable to a failure on the part of the Indenture Trustee or the Owner Trustee, as the case may be, to distribute in accordance with the Trust Indenture or the Trust Agreement, as the case may be, any amounts received and distributable by it thereunder;

(viii) Any Claim attributable to the authorization or giving or withholding 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 or consented to in writing 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;

(ix) Any Claim attributable to an Indenture Default that does not also constitute an Event of Default under the Lease;

(x) Any Claim that would not have arisen but for the appointment of a successor or an additional Owner Trustee in violation of the provisions hereof or of the Trust Agreement;

(xi) Any Claim that relates to a cost, fee or expense payable by a Person other than Lessee pursuant to Section 9(a) or any other provision of this Agreement or any other Operative Document, other than any thereof to the extent Lessee is liable therefor in the event such Person fails to pay the same.

(xii) Any ordinary and usual operating or overhead expense that such Indemnitee would have incurred regardless of the existence of a Claim indemnified by Lessee hereunder other than such expenses caused directly by the occurrence of an Event of Default;

(xiii) 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 a (x) purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture or (y) an Indenture Default that does not also constitute an Event of Default;

(xiv) Any Claim attributable to the Owner Participant's failure to be 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) if the Owner Participant is then required to be such a citizen hereunder; and

(xv) With respect to any particular Indemnitee, any Claim arising by reason of a violation attributable to such Indemnitee or a member of its Related Indemnitee Group of Section 406 of ERISA or Section 4975 of the Code.

(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, so long as no Event of Default under the Lease shall have occurred and be continuing, each Indemnitee agrees to cooperate, at the Lessee's expense, with the insurers in the exercise of such insurers' rights to investigate, defend or compromise such Claim as may be required to retain the benefits of such insurance with respect to such Claim, provided that an Indemnitee shall not be required to so cooperate to the extent that such cooperation would involve a significant risk of the imposition of criminal liability on such Indemnitee.

(6) Claims Procedure. An Indemnitee shall promptly notify the Lessee of any Claim as to which indemnification is sought; provided that no delay in notifying the Lessee of any such Claim shall derogate from the Lessee's indemnification obligations hereunder unless the

Lessee is adversely affected thereby. 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 the Lease shall have occurred and be continuing, the Lessee 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 with all reasonable requests of the Lessee in con-nection therewith, provided that an Indemnitee shall not be required to so cooperate to the extent that such cooperation would involve a significant risk of the imposition of criminal liability on such Indemnitee; and provided, further, that Lessee shall not have the ability to compromise any Claim with respect to any Indemnitee to the extent that such Claim involves the imposition of criminal liability on such Indemnitee. 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, 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 written opinion of counsel appointed by the Lessee or its insurers to conduct such proceedings, materially 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, the Lessee shall not under any circumstances be liable for the reasonable fees and expenses of more than one counsel for all Indemnitees, except in the case specified in the proviso to the third sentence of this paragraph (6).

(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 Lessee shall not be subrogated to any rights or remedies (a) that the Owner Trustee may have against the Owner Participant under Section 7.01 of the Trust Agreement in any case where the Owner Participant, if it had paid the Owner Trustee under Section 7.01 of the Trust Agreement, would have had a right to be indemnified by Lessee under this Section 7(b) or (b) that the Indenture Trustee may have against the Owner Trustee under Sec- tion 7.01 of the Trust Indenture in any case where the Owner Trustee, if it had paid the Indenture Trustee under Section 7.01 of the Trust Indenture, would have had a right to be indemnified by Lessee under this Section 7(b). 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) to the Lessee.

(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 any LOAN PARTICIPANT or holder of the Certificates that the Certificates will be paid.

(9) Waiver of Certain Claims. In the event of any loss, destruction or damage to the Aircraft or other property of Lessee or any personal injury to Lessee's employees resulting from the use or operation of the Aircraft by the Lessee or any sublessee or other user during the Term, the Lessee hereby waives, to the extent permitted by applicable law, any Claim against Lessor, the Owner Participant or any LOAN PARTICIPANT in respect of such loss, destruction, damage or injury to the extent such Claim involves a cause of action against Lessor, the Owner Participant or the LOAN PARTICIPANT based solely on the ownership or interest of Lessor, the Owner Participant or any LOAN PARTICIPANT, as the case may be, in the Aircraft. Nothing contained in the preceding sentence shall be interpreted to be in derogation of the obligation of Lessor,

the Owner Participant or any LOAN PARTICIPANT under any of this Agreement, the Lease or the other Operative Documents to which Lessor, the Owner Participant or any LOAN PARTICIPANT is a party.

(c) General Tax Indemnity. (1) General. In the event that the Lessee is required to deduct or withhold from any payment of Basic Rent any Tax imposed by any taxing authority or governmental subdivision of any foreign country for which the Lessee is obligated to indemnify the Owner Participant pursuant to the following provisions of this Section 7(c), then the Lessee shall pay to the Owner Participant an additional amount such that the net amount of Basic Rent actually received by the Owner Participant will equal the amount that would have been received had such Tax not been deducted or withheld. The Lessee hereby agrees to indemnify and keep harmless each Tax Indemnitee from and against any and all license and documentation fees and all taxes, levies, duties, charges or withholdings, whether now existing or hereafter adopted, together with any penalties, fines or interest thereon or other additions thereto (hereinafter collectively called "Taxes" and individually called a "Tax") that may be imposed on or payable by any Tax Indemnitee, the Lessee, any sublessee, sub-sublessee or other user of the Aircraft, the Airframe or any Engine, or any Affiliate of any such user, or imposed on the Aircraft, the Airframe, any Engine or any Part, by any Federal, state or local government or taxing authority in the United States or any territory or possession thereof, or by any taxing authority or governmental subdivision of any foreign country or any international authority, upon or with respect to: (A) the Aircraft, the Airframe, any Engine or any Part or any interest therein; (B) the purchase, acceptance, rejection, delivery, nondelivery, transport, location, insurance, registration, assembly, possession, maintenance, abandonment, storage, modification, transfer of title, acquisition, ownership, delivery, lease, sublease, financing, possession, use, operation, construction, manufacture, repair, sale, return, transfer or other disposition of the Aircraft, the Airframe, any Engine or any Part or any interest therein; (C) any amount payable under any Operative Document; (D) any or all of the Operative Documents, or the issuance of the Certificates (or the refinancing thereof) or any interest therein or any other documents contemplated hereby or thereby and any amendments and supplements thereto, (E) 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 this Agreement,

(F) 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 (G) otherwise with respect to the transactions contemplated by the Operative Documents.

(2) Certain Exceptions. The provisions of Section 7(c)(1) shall not apply to, and the Lessee shall have no indemnity liability to any Tax Indemnitee under Section 7(c)(1) with respect to:

(A) Taxes on, based on, measured by or with respect to net or gross income (including minimum taxes and taxes on items of tax preference), capital, net worth, net or gross receipts, franchises or conduct of business (except for sales or use Taxes) of the Owner Participant imposed by (x) the Federal government of the United States, (y) any state or local government or other taxing authority in the United States or any territory or possession thereof unless such Taxes would have been imposed had the use or operation of the Aircraft or the activities of the Lessee been the sole connection between the Owner Participant and the jurisdiction of such government or taxing authority and (z) any taxing authority or governmental subdivision of any foreign country or any international authority unless such Taxes would have been imposed had the use, operation or registration of the Aircraft or the activities of the Lessee been the sole connection between the Owner Participant and the jurisdiction of such taxing authority or governmental subdivision;

(B) Taxes on, based on, measured by or with respect to net or gross income (including minimum taxes and taxes on items of tax preference), capital, net worth, net or gross receipts, franchises or conduct of business (except for sales or use taxes) of any 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 territory or possession thereof or any taxing authority or governmental subdivision of any foreign country or any international authority 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 (B) 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 (it being understood that nothing in this paragraph (B) shall impair the right of any LOAN PARTICIPANT to an indemnity pursuant to Section 2.04 of the Indenture);

(C) Taxes imposed on any Tax Indemnitee by any Federal, state or local government or taxing authority in the United States or any territory or possession thereof, or by any taxing authority or governmental subdivision of any foreign country or international authority, to the extent attributable to a connection between such Tax Indemnitee and the jurisdiction of such government, taxing authority or governmental subdivision unrelated to the transactions contemplated by the Operative Documents;

(D) Taxes imposed on or in connection with any sale, assignment, transfer or other disposition (whether voluntary or involuntary) (other than a transfer pursuant to Section 2.04(i) of the Indenture) (x) by a Tax Indemnitee of any interest in the Aircraft, the Airframe, any Engine, any Part or any Operative Document or any Certificate (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 a Tax Indemnitee, unless such sale, assignment, transfer or disposition results from any exercise by the Owner Trustee or the Indenture Trustee of any of its remedies in connection with an Event of Default that has occurred and is continuing as provided in or permitted by the Lease;

(E) Taxes to the extent of the excess of such Taxes over the amount of such Taxes which would have been imposed had there not been a sale, assignment, transfer or other disposition (whether voluntary or involuntary) (x) by a Tax Indemnitee of any interest in the Aircraft, the Airframe, any Engine, any Part or any Operative Document or any Certificate (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)), unless such sale, assignment, transfer or disposition results from any exercise by the Owner Trustee or the Indenture Trustee of any of its remedies in connection with an Event of Default that has occurred and is continuing as provided in or permitted by the Lease, or (y) of any interest in a Tax Indemnitee;

(F) Taxes to the extent imposed in respect of any period after the earliest to occur of (x) the expiration or earlier termination of the Lease, (y) delivery of possession of the Aircraft to the Owner Trustee or placement in storage of the Aircraft at the request of the Owner Trustee pursuant to Section 5 of the Lease or (z) the discharge in full of the Lessee's obligations to pay Termination Value or Stipulated Loss Value under Section 9 or 10 of the Lease, as the case may be; provided that the exclusion set forth in this subparagraph (F) 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;

(G) Taxes imposed on any Tax Indemnitee other than any LOAN PARTICIPANT, the Indenture Trustee or the Indenture Estate that result from the Owner Trustee's engaging on behalf of the Trust Estate in transactions other than those permitted or contemplated by this Agreement and the Lease;

(H) Taxes imposed upon the Owner Trustee or the Indenture Trustee that are on, based on, measured by or with respect to 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;

(I) Taxes for which the Lessee is obligated to indemnify the Owner Participant pursuant to the Tax Indemnity Agreement or that have been included in Lessor's Cost or Transaction Costs;

(J) Taxes imposed on any Tax Indemnitee other than any LOAN PARTICIPANT, the Indenture Trustee or the Indenture Estate in the Indenture Estate that result from the Owner Trustee's engaging on behalf of the Trust Estate in transactions other than those permitted or contemplated by this Agreement and the Lease;

(H) Taxes imposed upon the Owner Trustee or the Indenture Trustee that are on, based on, measured by or with respect to 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;

(I) Taxes for which the Lessee is obligated to indemnify the Owner Participant pursuant to the Tax Indemnity Agreement or that have been included in Lessor's Cost or Transaction Costs;

(J) Taxes imposed on any Tax Indemnitee other than any LOAN PARTICIPANT, the Indenture Trustee or the Indenture Trustee or the

Indenture Estate in the nature of an intangible or similar tax upon or with respect to the value of the interest of the Owner Participant in the Trust Estate;

(K) Taxes in the nature of an intangible or similar tax upon or with respect to the value of the interest of any 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;

(L) Taxes imposed on any Tax Indemnitee other than any LOAN PARTICIPANT, the Indenture Trustee or the Indenture Estate by reason of x) the relationship between the Owner Participant and the Owner Trustee or (y) the trust described in the Trust Agreement being taxed as other than a grantor trust;

(M) Taxes for so long as such Taxes are being contested in accordance with the provisions of Section 7(c)(6) hereof;

(N) Taxes imposed on any Tax Indemnitee (other than any LOAN PARTICIPANT, the Indenture Trustee or the Indenture Estate) that result from a change in the situs of the Trust Estate (other than such a change at the Lessee's request) or the failure of the Owner Participant or Meridian Trust Company to comply with the Lessee's request pursuant to Section 9(d) hereof to move the situs of the Trust Estate to another jurisdiction;

(O) Taxes imposed on a Tax Indemnitee other than the Indenture Trustee or the Indenture Estate that would not have been imposed but for any failure of a Tax Indemnitee x) to comply with 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 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 was eligible for such relief or exemption or y) to file proper, accurate and timely reports or returns or to avail itself of any applicable extensions or

exemptions, unless such failure is a result of the Lessee's failure to provide such Tax Indemnitee with information not otherwise available to such Tax Indemnitee required to complete such reporting requirement;

(P) Taxes that would not have been imposed but for an amendment to any Operative Document or any Certificate not consented to by the Lessee in writing;

(Q) Taxes that result from (v) in the case of any Tax Indemnitee other than any LOAN PARTICIPANT, the Indenture Trustee or the Indenture Estate, the existence of any Lessor's Lien, w) in the case of any LOAN PARTICIPANT, the Indenture Trustee or the Indenture Estate, the existence of any LOAN PARTICIPANT Lien or Trustee's Lien, (x) the willful misconduct or gross negligence of any Tax Indemnitee, (y) any act or omission of any Tax Indemnitee that is in violation of any of the terms of the Operative Documents or (z) the inaccuracy or breach of any representation, warranty or covenant contained in any Operative Document or any document furnished in connection therewith by any Tax Indemnitee;

(R) Taxes that result from any prohibited transaction, within the meaning of section 4975(c)(1) of the Code, occurring with respect to the purchase or holding of a Certificate other than by the Lessee or any member of Lessee's controlled group (within the meaning of Section 414 of the Code); and

(S) Taxes imposed in lieu of or in substitution for any Taxes described in clauses (A) through (R) above.

(3) Payment on After-Tax Basis. The Lessee further agrees that, with respect to any payment or indemnity to an Indemnitee under Section 7(b) hereof or a Tax Indemnitee under this Section 7(c), the Lessee's indemnity obligations shall include any amount necessary to hold such Indemnitee or Tax Indemnitee harmless on an after-tax basis from all Taxes required to be paid by such Indemnitee or Tax Indemnitee with respect to such payment or indemnity (including any payments under this Section 7(c)(3)) under the laws of any Federal, state or local government or taxing authority in the United States or any territory or possession thereof or under the laws of any taxing authority

or governmental subdivision of any foreign country or any international authority.

(4) Tax Benefit Payback. If any Indemnitee or Tax Indemnitee shall realize a tax benefit as a result of any Claims or Taxes paid or indemnified against by the Lessee under Section 7(b) hereof or this Section 7(c) (whether by way of deduction, credit, allocation or apportionment of income or otherwise), such Indemnitee or Tax Indemnitee shall pay to the Lessee an amount which, after subtraction of any further tax savings such Indemnitee or Tax Indemnitee realizes as a result of the payment thereof, is equal to the amount of such tax benefit. Each Indemnitee and Tax Indemnitee shall in good faith use diligence in filing its tax returns and in dealing with taxing authorities (x) to seek and claim any such tax benefit 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) and (y) to minimize the Taxes payable or indemnifiable by the Lessee hereunder.

(5) Payment. Any amount payable to any Tax Indemnitee pursuant to this Section 7(c) shall be paid within 30 days after receipt of a written demand therefor from such Tax Indemnitee accompanied by a written statement describing in reasonable detail the Taxes which are the subject of and basis for such indemnity and the computation of the amount so payable, but not prior to the latest of (A) the payment of such Taxes, (B) in the case of amounts for which verification has been requested pursuant to Section 7(c)(10), 30 days after completion of the verification or (C) in the case of amounts which are being contested, the time such contest (including all judicial appeals, if any) is finally resolved. 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).

(6) Contests; Refunds. If written claim is made against any Tax Indemnitee for any Taxes that the Lessee is required to indemnify against pursuant to this Section 7(c), such Tax Indemnitee shall promptly notify the Lessee in

writing. If requested by the Lessee in writing, such Tax Indemnitee shall in good faith diligently contest (including pursuing all judicial appeals, but not to the United States Supreme Court) in the name of such Tax Indemnitee or, (i) if permitted by law, (ii) if the Tax to be contested does not involve issues with respect to which the Lessee would not be required to indemnify the Owner Participant hereunder that cannot be severed from all issues with respect to which the Lessee would be required to indemnify the Owner Participant hereunder and (iii) if so requested in writing by the Lessee, contest in the name of the Lessee (or permit the Lessee, if requested by the Lessee, except as otherwise provided below, to contest in the name of the Lessee or such Tax Indemnitee) at the Lessee's direction, except as otherwise provided below, the validity, applicability and amount of such Taxes by (A) resisting payment thereof, (B) not paying the same except under protest, if protest is necessary and proper, or (C) if payment shall be made, seeking a refund thereof in appropriate administrative and judicial proceedings; provided that (x) prior to taking such action the Lessee shall have agreed to pay such Tax Indemnitee, and shall pay 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 out-of-pocket legal and accounting fees and disbursements, (y) if such contest is to be initiated by the payment of, and the claiming of a refund for, such Taxes, then notwithstanding Section 7(c)(5), the Lessee shall provide such Tax Indemnitee with sufficient funds on an interest-free basis and with no additional net after-tax cost to such Tax Indemnitee to make such payment and (z) such proceedings do not involve any material danger of the forfeiture or loss of the Aircraft, unless the Lessee shall have agreed to provide security therefor reasonably satisfactory to such Tax Indemnitee. In the case of a contest of income taxes of a Tax Indemnitee involving issues with respect to which the Lessee would not be required to indemnify such Tax Indemnitee hereunder that cannot be severed from all issues with respect to which the Lessee would be required to indemnify such Tax Indemnitee hereunder, (I) 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 and (II) the following conditions shall apply in addition to the conditions

contained in clauses (x) through (z) above: (1) no contest will be required in a judicial proceeding unless the Lessee shall have provided such Tax Indemnitee with an opinion of tax counsel selected by the Lessee and reasonably acceptable to such Tax Indemnitee (it being agreed that Lessee's internal tax counsel will be reasonably acceptable to such Tax Indemnitee) that a Realistic Possibility of Success exists for such contest and (2) no Event of Default of the type specified in Section 14(a) (but only insofar as Section 14(a) relates to payments of Basic Rent or Supplemental Rent not then in dispute), (f), (g), (h) or (i) of the Lease shall have occurred and be continuing, unless the Lessee shall have provided security reasonably acceptable to such Tax Indemnitee for the amount of the Tax being contested and for the amount of all reasonable out-of-pocket costs and expenses that such Tax Indemnitee may incur in connection with the contest of such claim. Any Tax Indemnitee may elect not to contest pursuant to this Section 7(c)(6), or to settle any contest, but such election shall constitute a waiver by such Tax Indemnitee of any right to indemnification pursuant to this Section 7(c) with respect to the claim which was the subject of such proposed contest and, if the Lessee has theretofore provided such Tax Indemnitee with funds to pay such amount, such Tax Indemnitee shall promptly repay such funds, together with interest on the amount of such funds from the date the Lessee provided such funds to such Tax Indemnitee to the date of repayment pursuant to this sentence at the rate that would have been payable by the relevant taxing authority if such contest had resulted in a refund.

If any Tax Indemnitee shall obtain a refund of all or any part of any Taxes that the Lessee shall have paid for such Tax Indemnitee or for which the Lessee shall have reimbursed such Tax Indemnitee, such Tax Indemnitee shall, so long as no Event of Default under Section 14(a) (but only insofar as Section 14(a) relates to payments of Basic Rent or Supplemental Rent not then in dispute), (f), (g), (h) or (i) of the Lease shall have occurred and be continuing, pay to the Lessee an amount which, after subtracting any further tax benefit realized by such Tax Indemnitee as a result of the payment thereof, is equal to the sum of the amount of such refund, plus any interest received on such refund attributable to any Taxes paid by the Lessee to or for such Tax Indemnitee.

(7) Reports. In case any report or return is required to be made with respect to any obligation of the

Lessee under this Section 7(c) relating to property Taxes, the Lessee will either make such report or return in such manner as will show the ownership of the Aircraft in the Owner Trustee, or will notify the Owner Trustee of such requirement and make such report or return in such manner as shall be reasonably satisfactory to the Owner Trustee.

(8) Forms. 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, 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 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 such 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 to an Indemnitee or Tax Indemnitee pursuant to this Section 7 or any payment by an Indemnitee or Tax Indemnitee to the Lessee pursuant to this Section 7 shall be verified and certified by a nationally recognized firm of independent public accountants selected by the Lessee and reasonably acceptable to such Indemnitee or Tax Indemnitee, 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 Indemnitee's or Tax Indemnitee's favor exceeding the lesser of (A) 5% of the amount of such payment determined by such Indemnitee or Tax Indemnitee and (B) $50,000, in which case such fee shall be paid by such Indemnitee or Tax Indemnitee.

(11) Definition. For purposes of this Section 7(c), "Tax Indemnitee" shall mean the Owner Trustee (in

its individual capacity and as trustee), the Owner Participant, the Trust Estate, the LOAN PARTICIPANTs, the Indenture Trustee (in its individual capacity and as trustee) and the Indenture Estate, and each reference to a Tax Indemnitee shall include its respective agents, servants, officers, directors, successors and permitted assigns.

(12) Application of Payments During Existence of Event of Default. Any amount not paid to the Lessee under this Section 7(c) because an Event of Default shall have occurred and be continuing shall be held by the relevant Indemnitee or 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, 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; provided, further, that any amount so held as security shall, until paid to the Lessee pursuant to this Section 7(c) or applied against the Lessee's obligations as provided herein, be invested in Permitted Investments by such Indemnitee or Tax Indemnitee as directed in writing by the Lessee with any gain or loss from such investment for the Lessee's account. At such time as there shall not be continuing any such Event of Default 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.

(13) All Tax Obligations in this Section, etc. Notwithstanding any other provision anywhere contained in the Operative Documents, it is agreed that all of the Lessee's obligations with respect to Taxes are set forth in this Section 7(c) and in the Tax Indemnity Agreement and if the Lessee shall be required under any provision of the Operative Documents to pay any other Tax not indemnifiable for by the Lessee under this Section 7(c) or the Tax Indemnity Agreement, the party for or on behalf of whom such Tax is paid by the Lessee shall on an after-tax basis pay to the Lessee on demand an amount equal to the sum of such Tax paid by the Lessee plus interest computed at the Overdue Rate for the period commencing on the date of the payment of such Tax by the Lessee to but excluding the date of the receipt of such amount by the Lessee; provided that nothing in this paragraph 13 shall affect the Lessee's obligations

under clause (iii) of the second sentence of Section 3(c) of the Lease.

(d) Survival. The representations, warranties, indemnities and agreements of the Lessee provided for in this Section 7 and the Lessee's obligations in this Section 7, and the obligations of any Indemnitee or Tax Indemnitee under this Section 7, shall survive the Owner Participant's making of its Commitment, 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 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. 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.

(g) Records. The Lessee shall make, or cause to be made, available such records relating to the Aircraft that are regularly maintained by the Lessee in the ordinary course of its business as may be reasonably necessary to enable the Owner Trustee to fulfill its tax return filing obligations.

(h) Exercise of Right. The Owner Trustee agrees with the Lessee that it will exercise its rights under Section 2.04(j) of the Trust Indenture solely at the Lessee's request and direction.

SECTION 8. Representations, Warranties and Covenants. (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 to, or solicited any offer to acquire any of the same from, any Person in violation of the Securities Act of 1933, as amended, or any applicable state securities law. The Owner Participant represents and warrants that its interest in and to the Trust Estate and the Trust Agreement is being acquired for investment purposes only and not with a present view to any resale or distribution thereof (subject nonetheless to any requirement of law that the disposition of its properties shall at all times be and remain within its control).

(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 or any similar security 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 or (ii) directly or indirectly offered the Certificates or any similar security for sale to, or solicited any offer to acquire any of the same from, anyone other than the LOAN PARTICIPANT and not more than 35 other institutional investors.

(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 and as Indenture Trustee, represents, warrants and covenants that:

(i) it is a national banking association duly organized and validly existing and in good standing under the laws of the United States of America, 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, 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 Utah, the laws of the State of New York and the laws of the United States of America 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 it of each of the Operative Documents to which it 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 to which it is a party or by which it is bound; and

(iii) each Operative Document to which it is a party, when executed and delivered, will constitute its legal, valid and binding obligation enforceable against it in accordance with its terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general equity principles.

(e) The Owner Trustee, in its individual capacity and as Owner Trustee, represents, warrants and covenants that:

(i) the Owner Trustee, in its individual capacity, is a Pennsylvania trust company duly organized and validly existing in good standing under the laws of the Commonwealth of Pennsylvania 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 such enforceability 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 such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors generally and by general equity principles;

(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 Commonwealth of Pennsylvania or the State of New York governing the 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 Commonwealth of Pennsylvania 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 Commonwealth of Pennsylvania 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 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 35 North Sixth Street, Reading, Pennsylvania 19601, Attention: Corporate Trust Administration (AA 1992 MF-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 Commonwealth of Pennsylvania, State of New York 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 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, the Owner Trustee's right, title and interest in and to the Aircraft shall be free of any Lessor's Liens (disregarding for this purpose the proviso to the definition thereof) attributable to the Owner Trustee in its individual capacity;

(x) the proceeds 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 California 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, the Rent Schedule and the Trust Agreement, and each of this Agreement, the Tax Indemnity Agreement, the Rent Schedule and the Trust Agreement has been duly authorized, executed and delivered by it and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its 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;

(ii) the execution and delivery by the Owner Participant of this Agreement, the Tax Indemnity Agreement, the Rent Schedule and the Trust Agreement and compliance by it with all of the provisions thereof do not and will not contravene any United States Federal or state law applicable to or binding on the Owner Participant (it being understood that no representation or warranty is being 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 financing or the citizenship requirements of the Owner Participant under the Federal Aviation Act and the rules and regulations thereunder) or any order of any court or governmental authority or agency applicable to or binding on it 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, the Rent Schedule and the Trust Agreement;

(iv) the Trust Estate is free of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof) attributable to it;

(v) it is a "citizen of the United States" as defined in Section 101 of the Federal Aviation Act (without making use of a voting trust agreement or a voting powers agreement);

(vi) there are no pending or, to the knowledge of the Owner Participant, threatened actions or proceedings before any court or administrative agency which, if determined adversely to the Owner Participant, would materially adversely affect its financial condition or its ability to perform its obligations under this Agreement, the Tax Indemnity Agreement, the Rent Schedule 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) or of any "plan" (as defined in Section 4975(e)(1) of the Code).

(g) Each LOAN PARTICIPANT represents, warrants and covenants that:

(i) the Certificates to be issued to it pursuant to the Trust Indenture are being acquired by it for its own account and for investment and are not being acquired with a view to any resale or distribution thereof, provided that such representation shall in no way limit such ORIGINAL LOAN PARTICIPANT'S right to 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 8(h) and 8(i) hereof, such ORIGINAL LOAN PARTICIPANT hereby agreeing that (x) any such sale, assignment, pledge, transfer or grant of participation shall be made in accordance with all 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; 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).

(h) Except to the extent provided in Section 8(i) hereof and 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. 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 at any time (i) from the Delivery Date until December 31, 1992 and (ii) after May 31, 1995, provided that such sale, assignment, pledge or transfer is made in accordance with all applicable laws and such LOAN PARTICIPANT and such Permitted Transferee shall have executed and delivered a transfer agreement in the form attached as Exhibit XIV hereto, and provided, further, that no LOAN PARTICIPANT may grant participations in any Loan Certificate or Certificates other than an ORIGINAL LOAN PARTICIPANT or any Initial Transferee, which grant shall be made in accordance with Section 8(i). 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 8(h) or Section 8(i), as the case may be, and with all 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.

(i) Each ORIGINAL LOAN PARTICIPANT and each Initial Transferee (as defined in the Trust Indenture)

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) notwithstanding any such participation, (i) such ORIGINAL LOAN PARTICIPANT'S or Initial Transferee's, as applicable, obligations under the Operative Documents shall remain unchanged, (ii) such ORIGINAL LOAN PARTICIPANT or Initial Transferee, as applicable, shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (iii) such ORIGINAL LOAN PARTICIPANT or Initial Transferee, as applicable, shall remain the Holder of the Certificates, and the other parties to the Operative Documents shall continue to deal solely and directly with such ORIGINAL LOAN PARTICIPANT or Initial Transferee, as applicable, in connection with the Certificates and each LOAN PARTICIPANT'S rights and obligations under the Operative Documents and (B) in the case of each such participation, such participation is made in accordance with all applicable laws and is made to a Permitted Transferee. The liability of the Owner Trustee in respect of increased costs, Break Amount and withholding taxes under Section 2.04, 2.17 or 2.18 of the Trust Indenture shall not, as a result of any participation granted by such ORIGINAL LOAN PARTICIPANT or any Initial Transferee, exceed what would have been its liability thereunder if such ORIGINAL LOAN PARTICIPANT or Initial Transferee, as applicable, had not granted any such participation. Such ORIGINAL LOAN PARTICIPANT and each Initial Transferee may, in connection with any participation or proposed participation pursuant to this Section 8(i), disclose to the participant or proposed participant any information relating to the Operative Documents or to the parties thereto furnished to such ORIGINAL LOAN PARTICIPANT or such Initial Transferee, as applicable, thereunder or in connection therewith and permitted to be disclosed by such ORIGINAL LOAN PARTICIPANT or Initial Transferee, as applicable; provided, however, that prior to any such disclosure that includes any confidential information, the participant or proposed participant shall agree in writing for the benefit of such Owner Participant and the Lessee to preserve the confidentiality of such confidential information included therein.

(j) 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 the holder(s) of the Certificates or to the Indenture Trustee, directly or indirectly (other than the recourse liability of the Owner Participant under Section 16(a)(ii) of this Agreement), to make payment on account of any amount payable as principal, Break Amount, if any, or interest on the Certificates and (iii) any holder(s) of the Certificates or the Indenture 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(s) or the Indenture Trustee, as the case may be, 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 8(j), "Excess Payment" means the amount by which such payment exceeds the amount which would have been received by the holder(s) of the Certificates or the Indenture Trustee if the Owner Trustee (in its individual capacity) or the Owner Participant has not become subject to the recourse liability referred to in (ii) above. Nothing contained in this Section 8(j) shall prevent the holder of a Certificate or the Indenture 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 this Participation Agreement or the Trust Indenture (and any exhibits or annexes thereto) that is expressed as being an obligation of the Owner Participant or the Owner Trustee (in its individual capacity), respectively.

SECTION 9. Other Covenants. (a) If the transactions contemplated hereby are consummated, 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, each ORIGINAL LOAN PARTICIPANT and the Owner 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) Winthrop, Stimson, Putnam & Roberts, special counsel for the ORIGINAL LOAN PARTICIPANTs, (B) Ray, Quinney & Nebeker, special counsel for the Indenture Trustee, (C) Mudge Rose Guthrie Alexander & Ferdon, special counsel for the Owner Trustee, (D) Prokop & Prokop, special Pennsylvania counsel for the Owner Trustee, and (E) Crowe & Dunlevy, P.C., special counsel in Oklahoma City, Oklahoma;

(ii) the reasonable fees, expenses and disbursements of White & Case, special counsel for the Owner Participant; and

(iii) all other reasonable expenses incurred in connection with such actions and transactions, including, without limitation, the commissions and arrangement fees payable in connection with the placement of the Certificates, the fees and expenses of one (but only one) aircraft appraiser in respect of the appraisals referred to in Section 4, printing and document production or reproduction expenses, all fees, taxes and other charges payable in connection with the placement of the Certificates and with the recording or filing of the instruments and financing statements described in this Agreement, the initial fees and expenses of Mission (Bermuda) Investments Ltd., a Bermuda corporation ("MBI") and of MBI's Bermuda counsel, the Owner Participant's reasonable travel and other reasonable miscellaneous expenses and the reasonable fees and expenses of Flightplan International, airline advisor for the Owner Participant.

Notwithstanding the foregoing, the Lessee shall pay, in 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.

Each of the Owner Trustee, the Lessee, the ORIGINAL LOAN PARTICIPANTs 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. 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.

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 fulfill its funding obligations or otherwise to close the transaction notwithstanding the satisfaction of the conditions set forth in Section 4 (other than the conditions set forth in paragraphs (M), (Q), (V) and (X) thereof), then the Owner Participant shall bear and pay its own fees and expenses and those of its counsel (including, without limitation, the fees and expenses of its special counsel, its Bermuda counsel, MBI and its airline advisor) and the Lessee shall pay all other reasonable transaction fees, costs and expenses as aforesaid.

(b) The Owner Participant covenants that if (i) at any time during which the Aircraft is registered in the United States, the Owner Participant ceases to be a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and 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, and the regulations then applicable thereunder (without regard to any "based and primarily used" provision), or (ii) at any time during which the Aircraft is registered in a jurisdiction other than the United States of America (A) the Lessee proposes to register the Aircraft within four months in the United States and (B) the Owner Participant is not a "citizen of the United States" within the meaning of Section 101(16) of the Federal Aviation Act and the Aircraft for that reason would be ineligible for registration in the name of the Owner Trustee under the Federal Aviation Act as in effect at such time and the regulations then applicable thereunder (without regard to any "based and primarily used" provision), 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 of America, as the case may be, and in each case to prevent the Lessee and the LOAN

PARTICIPANT from being adversely affected as a result thereof.

(c) Meridian Trust Company represents and warrants that 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). 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 Participant or the LOAN PARTICIPANT), effective upon the appointment of a successor Owner Trustee in accordance with the provisions of Section 9.01 of the Trust Agreement. 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 (disregarding for this purpose the proviso to the definition thereof) 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 the

result of the failure of the Owner Trustee to discharge and satisfy any such Lessor's Lien or such other Lien.

(d) Each of the Owner Participant and the Owner Trustee hereby agrees (i) with the Lessee, each LOAN PARTICIPANT, and the Indenture Trustee to 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 capacities the noncompliance with which would materially adversely affect any such party, (ii) with the Lessee not to amend, supplement, or otherwise modify any provision of the Trust Agreement in a manner adversely affecting the Lessee without the prior written consent of the Lessee, and (iii) with the Lessee and each LOAN PARTICIPANT, notwithstanding anything to the contrary contained in the Trust Agreement, not to terminate or revoke the trust created by the Trust Agreement without the prior written consent of the Lessee (such consent of the Lessee not to be unreasonably denied), and each LOAN PARTICIPANT (such consents of the LOAN PARTICIPANTs not to be withheld unless the Lien of the Indenture would be adversely affected by such termination or revocation), provided, that (x) the Lessee's consent shall not be required if an Event of Default shall have occurred and be continuing and (y) neither the Lessee's nor any LOAN PARTICIPANT'S consent shall be required if the Owner Trustee shall be in breach of any of its obligations under the Trust Agreement (unless, in the case of the LOAN PARTICIPANTs, the Lien of the Indenture would be adversely affected thereby). Nothing in the next preceding sentence shall impair any right of Meridian Trust Company to resign as the Owner Trustee under Section 9.01 of the Trust Agreement. The Owner Trustee or any successor may resign or be removed by the Owner Participant, a successor Owner Trustee may be appointed, and a corporation may become the Owner Trustee under the Trust Agreement, only in accordance with the provisions of Article IX of the Trust Agreement. 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 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, without in either case having obtained the prior written consent of the Lessee (such consent not to be unreasonably denied); provided that the Lessee's consent shall not be required if the Owner Trustee is in breach of any of its obligations under the Trust Agreement or if an

Event of Default or Payment or Bankruptcy Default shall have occurred and be continuing; provided, further, that in any such event a new Owner Trustee selected by the Owner Participant which is a United States citizen within the meaning of Section 101(16) of the Federal Aviation Act and, unless an Event of Default or Payment or Bankruptcy Default shall have occurred and be continuing, is reasonably acceptable to the Lessee, shall be substituted for the Owner Trustee; and provided, further, that the Owner Participant shall not choose a replacement Owner Trustee which, in the good faith opinion of the Lessee, may (or, if an Event of Default or Payment or Bankruptcy Default shall have occurred and be continuing, the Owner Participant shall use its best efforts to select a replacement Owner Trustee which will not) 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 that is reasonably satisfactory to the Owner Participant. So long as no Event of Default and no Payment or Bankruptcy 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 during the Term 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, 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 of America 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. 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 with respect to the Aircraft shall continue to be perfected and enforceable and the trust, as thus removed, will remain a validly established trust, in each case, to the reasonable satisfaction of the Indenture Trustee and the Owner Trustee, and financing statements (including precautionary statements) shall have

been filed in such places as necessary in order to perfect the interests created by the Indenture and Lease.

(e) The Owner Participant agrees that, upon the request of the Lessee, the Owner Participant will negotiate promptly in good faith with respect to any arrangements pursuant to which the Trust Indenture may be satisfied and discharged in respect of the Certificates in accordance with Section 10.01 of the Trust Indenture and the Owner Trustee agrees to act upon the instructions of the Owner Participant in connection therewith. The Owner Trustee agrees that it will not, and the Owner Participant agrees that it will not cause the Owner Trustee to, take any action to effect such a satisfaction and discharge except upon the request of the Lessee made pursuant to this Section 9(e).

(f) Subject to the provisions of Section 9 of the Lease, the Owner Participant agrees that, in the event of the termination of the Lease pursuant to such Section 9, 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 Lessee such amounts as are stated to be payable by the Owner Participant to the Lessee pursuant to Section 9 or 15 of the Lease as a rebate of any Basic Rent theretofore paid under the Lease or pursuant to Section 5(a), 5(d), 5(f), or 12 of the Lease.

(g) So long as no Event of Default or Payment or Bankruptcy Default has occurred and is continuing, the Owner Trustee shall promptly pay to the Lessee any amounts received by it (i) from any LOAN PARTICIPANT pursuant to Section 2.04(h) of the Trust 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 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 180 days after such Event of Default or Payment or Bankruptcy 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.

(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) 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.

(j) 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 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 such LOAN PARTICIPANT, and such 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 LOAN PARTICIPANT Lien.

(k) 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 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 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 the result of the failure of the Indenture Trustee to discharge and satisfy any such Lien or other lien or encumbrance.

(l) 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.

(m) The Lessee hereby agrees, for the benefit of the Owner Participant, that the Lessee shall cause the Aircraft to be registered pursuant to Section 7(a)(i) of the Lease under the laws of any foreign jurisdiction only with the prior written consent of the Owner Participant, such consent not to be unreasonably denied; provided, that if the Owner Participant shall have consented to such registration, then the Owner Participant agrees to cooperate with the Lessee in effecting any such foreign registration. At any time during which the Aircraft is registered in a jurisdiction other than the United States, the Lessee may cause the Aircraft to be registered under the laws of the United States and the Owner Participant agrees to cooperate with the Lessee in effecting such registration. Lessee shall pay all reasonable fees and expenses (including the fees and expenses of professional advisors) of the Owner Participant and Lessor in connection with any reregistration or the obtaining of any consent pursuant to this Section.

(n) 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 the following conditions are met: (i) such LOAN PARTICIPANT shall have received a legal opinion from counsel and in form and substance reasonably satisfactory to it to the effect that: (A) 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 LOAN PARTICIPANT 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) such LOAN PARTICIPANT 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 such LOAN PARTICIPANT on or prior to the effective date of such change in registration); (B) the terms of the Lease and the Trust Indenture being legal, valid and binding and enforceable in such jurisdiction (subject to customary exceptions); and (C) there are no requirements that the Owner Participant and/or the Owner Trustee must meet to maintain the registration of the Aircraft and the validity and perfection of the Lien of the Trust Indenture under the laws of such jurisdiction (or, if such opinion cannot be given, such opinion shall detail such requirements); (ii) such LOAN PARTICIPANT shall have received assurances reasonably satisfactory to it (x) that the insurance provisions of the Lease will have been complied with after giving effect to such change in registration and (y) as to the Owner Participant's and the Owner Trustee's agreement to meet the requirements, if any, referred to in Section 9(n)(i)(C) above or, if such requirements can be met by the Lessee, the Lessee's agreement to do so; and (iii) the Lessee shall have paid or made provision satisfactory to such LOAN PARTICIPANT for the payment of all expenses of such LOAN PARTICIPANT and the Indenture Trustee in connection with such change in registration.

SECTION 10. Other Documents. Each Participant agrees to comply with all of the terms of the Trust Agreement, the Lease and the Trust Indenture (as the same may hereafter be amended from time to time in accordance with the terms thereof) applicable to it. The Lessee hereby consents in all respects to the execution and delivery of the Trust Indenture and the Trust Agreement and agrees to comply with all of the terms of each thereof applicable to it, and the Lessee acknowledges receipt of an executed counterpart of the Trust Indenture and the Trust Agreement. The Owner Trustee and the Indenture Trustee shall not amend,

modify or supplement the Trust Indenture except in accordance with Article IX thereof. The Owner Participant, the Owner Trustee, the LOAN PARTICIPANTs, the Lessee and the Indenture Trustee hereby agree that Section 9.01 of the Trust Indenture is hereby incorporated by reference herein. Further, in exercising any right under the Trust Indenture, the Owner Participant agrees to be bound by the provisions thereof and, without limiting the generality of the foregoing, the Owner Participant expressly consents and agrees to the provisions of Sections 2.13, 4.02, 4.03, 5.02, 6.10, 9.01, 10.04 and 10.05 of the Trust Indenture. The Indenture Trustee and the Owner Trustee agree to promptly furnish to the Lessee copies of any supplement, amendment, waiver or modification of any of the Operative Documents to which the Lessee is not a party.

SECTION 11. Conditions Precedent to the Lessee's Obligations. (a) The Lessee's obligation to sell the Aircraft to the Owner Trustee and lease the Aircraft on the Delivery Date is subject to the fulfillment to the satisfaction of, or waiver by, the Lessee prior to or on the Delivery Date of the following conditions precedent, which fulfillment to the satisfaction of, or such waiver by, the Lessee shall be evidenced by acceptance of the Aircraft by the Lessee under the Lease:

(i) the documents referred to in 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 set forth;

(ii) the Owner Trustee shall have 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, other than 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 Owner Participant, each ORIGINAL LOAN PARTICIPANT, the Indenture Trustee 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, 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 Tax Change, 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 of more than 50 basis

points (using a discount rate applied semiannually equal to 10.5%);

(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; and

(ix) the Lessee, the Owner Trustee and the Indenture Trustee shall have received from each ORIGINAL LOAN PARTICIPANT two copies of Internal Revenue Service Form 4224 with respect to and executed by such ORIGINAL LOAN PARTICIPANT.

(x) The Lessee shall have received satisfactory confirmation from the Manufacturer that it will confirm that the Airframe has been manufactured in the United States by a person other than a FSC or a DISC and that no more than 50% of the total purchase price of the Aircraft is attributable to the fair market value of articles which were imported into the United States.

(xi) The Lessee shall have received a letter from General Electric Company confirming that each Engine has been manufactured in the United States by a person other than a FSC and that no more than 50% of the total fair market value of each Engine is attributable to the fair market value of articles which were imported into the United States.

(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) the Owner Participant or any 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 such ORIGINAL LOAN PARTICIPANT) 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. 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 negligence of the Owner Trustee or the Indenture Trustee unless such action or inaction is at the express 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 or the Indenture Trustee shall require for accomplishing the purposes of this Agreement and the other Operative Documents.

(B) The Lessee will cause the Manufacturer's FAA Bill of Sale, the Manufacturer's

Subsidiary's 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 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 followed by the Manufacturer's Subsidiary's Bill of Sale followed by 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 and the Trust Agreement attached thereto.

(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 Indenture Trustee either stating:

(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, as is necessary to maintain, for the 15-month period succeeding the date of such opinion, 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 security interests.

(D) The Lessee shall at all times maintain its corporate existence except as permitted by Section 13(E). 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. Notwithstanding the foregoing, Lessee shall at all times be an "air carrier" within the meaning of Section 101(13) of the Federal Aviation Act certificated under Sections 401 and 604(b) of the Federal Aviation Act, and otherwise certificated and registered to the extent necessary to fall within the purview of, and to provide to Lessor the benefits contemplated by, Section 1110 of the Federal Bankruptcy Code (11 U.S.C. Section 1110) or any successor provision.

(E) The Lessee shall not consolidate with or merge into any other corporation or convey, transfer or lease in one or more related transactions all or 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 all or 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 and substance 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 be performed or observed by the Lessee;

(ii) immediately after giving effect to such transaction, no Event of Default, 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 In-

denture 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 or other counsel satisfactory to the Owner Trustee, the Owner Participant and the Indenture Trustee), 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 a Responsible 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 all or 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 all or substantially all of the assets of Lessee shall have the effect of releasing 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) Lessee shall notify the Indenture Trustee and the Owner Trustee 30 days prior to any change in the location of the chief executive office of Lessee.

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):

"Applicable Jurisdiction" shall have the meaning set forth in the definition of "Permitted Transferee" below.

"Bills of Sale" shall have the meaning set forth in Section 4(e)(ix) hereof.

"Claim" shall have the meaning set forth in Section 7(b) hereof.

"Closing Date" shall have the meaning set forth in Section 5(d) hereof.

"Commitment" shall have the meaning set forth in Section 1 hereof.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

"FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(vii).

"Indemnitee" shall have the meaning set forth in Section 7(b) hereof.

"Indenture" shall have the meaning set forth in the recitals hereof.

"Indenture Default" shall have the meaning set forth in the Trust Indenture.

"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.

"Interim Payment" shall have the meaning set forth in Section 16(a) hereof.

"Interim Payment Amount" shall have the meaning set forth in Section 16(a) hereof.

"Interim Payment Differential Amount" shall have the meaning set forth in Section 16(a) hereof.

"Lease" shall have the meaning set forth in the recitals 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.

"Manufacturer" shall have the meaning set forth in the recitals hereof.

"Manufacturer's FAA Bill of Sale" shall have the meaning set forth in Section 4(E)(vii) 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.

"MBI" shall mean Mission (Bermuda) Investments Ltd., a Bermuda corporation.

"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.

"Optimal File" shall have the meaning set forth in the definition of Owner Participant's Revised Net Economic Return.

"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.

"Outstanding Certificates" shall have the meaning set forth in Section 17 hereof.

"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 1 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 and the Special Purchase Price Percentage 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, and, in the case of any refunding or refinancing, iii) relative to the Optimal File (as defined in this sentence), no less than 90% of the Owner Participant's FASB 13 earnings in respect of each calendar year in the 5-year period commencing with such adjustment, in each case utilizing the same assumptions as used by such Owner Participant (including the Tax Assumptions set forth in Section 1 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 amortization schedule furnished to the Lessee and placed in escrow with White & Case throughout the Term) in determining the alternate Basic Rent, Stipulated Loss Value and Termination Value schedules with respect to the Term and the Special Purchase Price Percentage that have been furnished to the Lessee and placed in escrow with White & Case in accordance with Section 18(d) (the "Optimal File"), 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 (except that the amortization schedule shall not be adjusted in the case of an event of the type specified in Section 3(e)(iii) of the Lease).

"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 (w) is organized under the laws of the United Kingdom, France, Germany, Ireland or The Netherlands (each, an "Applicable Jurisdiction"), (x) 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 (y) 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 Belgium, Canada, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, Switzerland or the United Kingdom 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, 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 8(h) 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) 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 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.

"Realistic Possibility of Success" shall mean the standard set forth in Formal Opinion 85-352 of the American Bar Association.

"Related Indemnitee Group" shall have the meaning set forth in Section 7(b) hereof.

"Short Period Loan" shall have the meaning set forth in the Trust Indenture.

"Short Period Rate" shall have the meaning set forth in the Trust Indenture.

"Tax" and "Taxes" shall have the meanings set forth in Section 7(c)(1) hereof.

"Tax Indemnitee" shall have the meaning set forth in Section 7(c)(11) hereof.

"Transaction Costs" shall have the meaning set forth in Section 18(a) hereof.

(b) Any other capitalized terms not herein defined, when used herein in capitalized form, shall have the meanings 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 mail, courier service, telegram, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, cable or facsimile) or any other customary means of communication, and any such notice shall be effective when delivered (i) if to the Lessee, the Owner Trustee, or the

Indenture Trustee, to their respective addresses or numbers set forth below the signatures of such parties at the foot of this Agreement, or (ii) if to the Owner Participant or any LOAN PARTICIPANT, to its address set forth in Schedule I hereto.

SECTION 16. Certain Covenants of the Owner Participant. (a) (i) The Owner Participant hereby unconditionally agrees with the Lessee, and only with the Lessee (and not with any other party to this Agreement), that it will pay or cause to be paid to the Indenture Trustee $1,345,440.50 (the "Interim Payment Amount", subject to adjustment pursuant to the following paragraph) on the Base Lease Commencement Date (such payment, the "Interim Payment"). The Owner Participant and the Owner Trustee hereby direct the Indenture Trustee, and the Indenture Trustee hereby agrees, to apply the Interim Payment, first, to the payment of interest on the Certificates and, second, to the payment of principal, which interest and principal may be due and payable pursuant to the provisions of the Trust Indenture on the Base Lease Commencement Date. The Owner Participant agrees to make the Interim Payment in immediately available funds on or before 12:00 noon, New York City time, on the Base Lease Commencement Date. The Owner Participant agrees to give the Lessee notice by 12:00 noon, New York City time, on the Base Lease Commencement Date if it has failed to make the Interim Payment due on such date.

Although the amount of the Interim Payment has been computed on the assumption that the Certificates will bear interest at the Assumed Debt Rate throughout the Interim Period, the Owner Participant and the Lessee recognize that the actual rate of interest on the Certificates may be a rate from time to time which may be greater or less than the Assumed Debt Rate and that the related basis upon which interest on the Certificates will be computed will be as provided in the Trust Indenture. Accordingly, the Interim Payment Amount shall be increased or decreased (but not below zero), as the case may be, by an amount (the "Interim 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, and (ii) the aggregate amount of interest on the Certificates that would have been due and payable on the Base Lease Commencement Date if such 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 Interim Payment Amount shall be increased by the Interim 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 Interim Payment Amount shall be decreased by the Interim Payment Differential Amount. In the event the Owner Participant fails to make all or any part of such payment, the Lessee may seek direct reimbursement from the Owner Participant or obtain reimbursement in the manner and to the extent provided in Section 3(f) of the Lease for any Advance, together with interest on such portion of such amount remaining unpaid at a rate per annum equal to the sum of 2% and the Base Rate from (and including) the date of such Interim Payment Date to (but excluding) the date of reimbursement by the Owner Participant or the date the Lessee deducts such Advance from other payments to the extent and as provided in Section 3(f) of the Lease and, without duplication of the foregoing, shall have such remedies as may be avail-able to it against the Owner Participant at law or in equity in respect of any such Advance. All amounts paid to the Lessee by the Owner Participant in respect of an Advance or deducted by the Lessee pursuant to Section 3(f) of the Lease shall be applied first to payment to Lessee of interest and then to payment to Lessee of amounts equal to the Advance.

(ii) The Owner Participant hereby unconditionally agrees that it will pay or cause to be paid to the Indenture Trustee $3,275,000.00 (the "Deferred Equity Amount"), on the Base Lease Commencement Date (the "Deferred Equity Payment"). The Owner Participant and the Owner Trustee hereby direct the Indenture Trustee, and the Indenture Trustee hereby agrees, to apply the Deferred Equity Payment to the payment of principal, which principal may be due and payable pursuant to the provisions of the Trust Indenture on such date. The Owner Participant agrees to make the Deferred Equity Payment in immediately available funds on or before 12:00 noon, New York City time, on such date. The Owner Participant agrees to give the Lessee notice by 12:00 noon, New York City time, on such date if it has failed to make the Deferred Equity Payment due on such date. In the event the Owner Participant fails to make all or any part of such

payment, the Lessee may seek direct reimbursement from the Owner Participant or obtain reimbursement in the manner and to the extent provided in Section 3(f) of the Lease for any Deferred Equity Advance, together with interest on such portion of such amount remaining unpaid at a rate per annum equal to the sum of 2% and the Base Rate from (and including) the date of such Base Lease Commencement Date to (but excluding) the date of reimbursement by the Owner Participant or the date the Lessee deducts such Deferred Equity Advance from other payments to the extent and as provided in Section 3(f) of the Lease and, without duplication of the foregoing, shall have such remedies as may be available to it against the Owner Participant at law or in equity in respect of any such Deferred Equity Advance. All amounts paid to the Lessee by the Owner Participant in respect of a Deferred Equity Advance or deducted by the Lessee pursuant to Section 3(f) of the Lease shall be applied first to payment to Lessee of interest and then to payment to Lessee of amounts equal to the Deferred Equity Advance.

(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 Lien attributable to it on or against any part of the Trust Estate or the Aircraft, 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).

(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 Trust Estate, the Purchase Agreement or any of the other Operative Documents except that the Owner Participant may assign, convey or otherwise transfer all or any part 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, 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 Section 406 or 407 of ERISA or Section 4975 of the Code; (C) the Transferee enters into an agreement or agreements substantially in the form of Exhibit XV hereto (the "Assumption Agreement") for the benefit of the Lessee, the Owner Trustee, the Indenture Trustee and each Holder of a Certificate, whereby the Transferee confirms that, to the extent of the interest so transferred to such Transferee, such Transferee shall be deemed a party to this Participation 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 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, warranties and covenants substantially equivalent to those of the Owner Participant contained herein; (D) after giving effect to such assignment, conveyance or transfer, there would be no more than two Owner Participants; (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 reasonably satisfactory to the Lessee, that the Assumption Agreement has been duly authorized, executed and delivered by the Transferee, constitutes its legal, valid and binding obligation 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 transferror 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 an opinion delivered by counsel of the type referred to in clause (E) of this paragraph (i) to the effect that such transfer complies with the provisions of clause (A) (except as to citizenship) and clause (B) of this paragraph (i); (G) the Owner Participant by an instrument in form and substance reasonably satisfactory to the Lessee (x) assumes the risk of any adverse tax consequences to each Tax Indemnitee resulting from such conveyance and (y) indemnifies the Lessee for any breach or other violation of the disclosure requirements of any applicable securities laws; and (H) the terms of the transaction are not altered other than to the extent set forth in the foregoing clauses (A) through (G); 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 domestic corporation or other domestic entity, other than a partnership, with a 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 has been discharged) and the Lessee an absolute and unconditional guaranty, in form and substance reasonably satisfactory to the Lessee, the Indenture Trustee and the Owner Trustee (in its individual capacity), 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 Lessee and the Owner Trustee an opinion of counsel reasonably satisfactory to the Lessee that such guaranty has been duly authorized, executed and delivered by the guarantor, constitutes its legal, valid and binding obligation and is enforceable against the guarantor in accordance with its terms.

If at any time any Owner Participant is an institution the obligations of which were guaranteed at the time such Owner Participant became an Owner Participant hereunder by a parent entity that was at such time a Qualifying Institution (the "Owner Participant Guarantor"), 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 (x) 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 or (y) following a Change in Control, the Transferee remains both a member of the controlled or consolidated group of companies of which the Owner Participant Guarantor is a part and an Affiliate of the Owner Participant Guarantor, and such guaranty of the Owner Participant Guarantor is confirmed by the Owner Participant Guarantor as being, or 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) and the Lessee a certificate of a duly authorized officer of the Owner Participant or the Owner Participant Guarantor as to the continued legality, validity and enforceability of such guaranty.

Notwithstanding the foregoing, (i) in no event shall the Owner Participant assign, convey or otherwise transfer, directly or indirectly, any such interest without the Lessee's consent prior to the payment of all amounts required to be paid by it pursuant to Section 16(a) hereof or if it is in default in respect of any of its obligations under Section 16(a) and (ii) as long as the Lease is in effect, there shall not be more than five transfers (including as a transfer any Change in Control permitted under the next preceding sentence) by the Owner Participant (including its successors and permitted assigns) pursuant to this Section 16(c) without the prior written consent of the Lessee and the Indenture Trustee. As between the parties hereto, the transferring Owner Participant will pay or cause the transferee Owner Participant to pay 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 its reasonable legal fees and expenses, 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 an airline or other commercial operator of aircraft or a corporation or other entity that is an Affiliate of such an 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 to the extent of such transfer 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 transferror 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 transferror Owner Participant from any liability on account of any breach existing at the time of such conveyance by the Owner Participant of any of its representations, warranties, covenants or obligations contained herein, in the Trust Agreement or any other Operative Document. If the Owner Participant proposes to transfer its interests pursuant to this Section 16(c), it shall give 20 days (unless the Transferee is an Affiliate of the Owner Participant making the transfer, in which case the Owner Participant will notify the Lessee, the Owner Trustee and the Indenture Trustee of such transfer within 10 days of such transfer) 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 paragraph (c) have been or shall be satisfied.

Notwithstanding the foregoing provisions of this Section 16(c), there shall be no restriction on the Owner Participant's right to transfer all or any part of its interests if an Event of Default shall have occurred and be continuing, provided, that after any such Event of Default, the Owner Participant shall not be entitled to transfer such interests unless either (i) the conditions to transfer set forth in this Section 16(c) (other than any conditions requiring the satisfaction of, or notice to or consent of, the Lessee, and other than conditions relating solely to the Lessee) shall have been satisfied or (ii) the Indenture Trustee and the LOAN PARTICIPANTs shall have consented thereto, which consents shall not be unreasonably withheld.

SECTION 17. Optional Redemption of Certificates. (a) So long as no Event of Default or Payment or Bankruptcy 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 Section 2.12 of the Trust Indenture as part of a refunding or refinancing operation (such refunding referred to herein as a "Section 17 Refunding"). Promptly on receipt of such request, the Owner Participant will negotiate in good faith to conclude an agreement or agreements with the Lessee as to the terms of such refunding or refinancing operation (it being understood that, without limiting the Owner Participant's obligation to negotiate in good faith as aforesaid, the Owner Participant shall not be obligated to enter into any such agreements in connection with such a refunding or refinancing operation unless terms and conditions customary in aircraft leveraged lease refundings or refinancings shall have been satisfied) 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

Owner Participant shall not be named in any prospectus distributed in connection therewith (unless the Owner Participant shall at the time consent thereto) and Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent, so long as Lessee shall at no time hold all or substantially all of such debt securities and, for the purpose of any vote of such debt securities, any such debt securities held by the Lessee shall be disregarded and deemed not to be outstanding) 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 debt securities in an aggregate principal amount equal to the principal amount of the Outstanding Certificates on 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 (provided that if the Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant shall, on the Refunding Date prepay that portion of the amounts payable by it as the Interim Payment Amount pursuant to Section 16(a)(i) as shall equal the aggregate interest accrued on the Outstanding Certificates to the Section 17 Refunding Date and shall prepay the amounts payable by it as the Deferred Equity Amount pursuant to Section 16(a)(ii)), (x) Basic Rent payable in respect of the period from and after the Refunding Date shall be recalculated to preserve the Owner Participant's Revised Net Economic Return taking into account all reasonable fees, costs and expenses of such refunding or refinancing paid by the Owner Participant, (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 Revised Net Economic Return, and the Special Purchase Price Percentage and the Special Purchase Option Date shall

be recalculated as provided in Section 18, and z) in the event that the debt instruments issued in such refunding or refinancing transaction are denominated in a foreign currency (it being understood that the terms of any such foreign denominated loan and the provisions of the operative documents relating thereto are to be reasonably acceptable to the Owner Participant), those portions of Basic Rent, Termination Value and Stipulated Loss Value payments allocable to the payments required to be made in a foreign currency with respect to such debt instruments shall likewise be denominated in and made in such currency or, in the alternative, the Lessee shall indemnify the Owner Participant against any losses resulting from foreign currency exchange rate fluctuations; and

(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 (b) 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 effective as of the date of the relevant refunding or refinancing, as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will increase or impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant;

provided, however, that (x) there shall be no more than two such refundings or refinancings (not including any refunding or refinancing of temporary bridge financing, if any, or the Section 20 Refinancing), (y) Lessee shall pay the Owner Participant a fee of $25,000 in connection with each refunding or refinancing pursuant to this Section 17 occurring subsequent to the first such refunding or refinancing, and (z) if within 20 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 opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a material risk or increase in risk of 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) unless there shall have occurred a relevant Tax Change), 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 relevant amendment to, or change in, the Code or any other Federal tax statute or any regulation promulgated under any of the foregoing (or official interpretation of any of the foregoing) after the execution and delivery of the Participation Agreement a refinancing or refunding as such will not result in any such risk.

(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 the 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) (the "Transaction Costs") are not equal to 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 Tax Change and (2) after having been advised in writing by the Owner Participant of such Tax Change 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, or (D) the Delivery Date is other than May 28, 1992, or (E) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Interim Payment Amount (after adjustment for any Interim Payment Differential Amount) is other than $1,345,440.50, or (F) any amount is paid by Lessee to the Owner Participant pursuant to the Tax Indemnity Agreement, or (G) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Deferred Equity Amount is other than

$3,275,000.00 then the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values, Termination Values, and, if the Refunding Date occurs on or prior to the Base Lease Commencement Date, the Interim Payment Amount payable pursuant to Section 16(a) hereof (such recalculation of the Interim Payment Amount to take into account any prepayment by the Owner Participant on such Refunding Date of all or part of the Interim Payment Amount under clause (w) of Section 17(a)(ii)) (or, in the case of an event described in clause (F) above, payments of Stipulated Loss Values and Termination Values only) with respect to the Term (i) to preserve the Owner Participant's Net Economic Return (or, in the case of a Section 17 Refunding or any event occurring subsequent to a 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 (1) the payments of Basic Rent or, at Lessee's option, (2) the payments of Basic Rent scheduled to be paid prior to the Special Purchase Option Date and the Special Purchase Price. In addition, (x) in the event of a Section 17 Refunding, 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) and (y) with respect to an event described in clause (A), (B), (D), (E) or (G) of the preceding sentence, the Special Purchase Price Percentage as of any date shall be recalculated such that the Special Purchase Price equals the greatest of (i) the appraised value of the Aircraft as of such date as set forth in Exhibit E to the Rent Schedule, (ii) 103% of the sum of the present values, as of the Special Purchase Option Date (as the same may have been adjusted theretofore), of (a) Basic Rent payable with respect to the period from such Special Purchase Option Date to and including the twenty-fourth anniversary of the Base Lease Commencement Date and (b) an amount equal to 53% of Lessor's Cost (such present value calculation to utilize a discount rate equal to 13.5% per annum, compounded semi-annually), (iii) 103% of the amount that preserves Original After-Tax Yield as of such date and (iv) the amount that satisfies the aggregate after-tax cash flow and after-tax yield (using the multiple investment sinking fund method of calculation) constraints used by the Owner Participant in its pricing assumptions to determine the alternate Special Purchase Price Percentage (contained in the Optimal File), such constraints and such alternate Special Purchase Price Percentage having been furnished to

the Lessee and placed in escrow with White & Case. 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 with respect to the Term (or, in the case of any Section 17 Refunding, 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 White & Case 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), (D), (E), (F) or (G) 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 (except that the amortization schedule in the Optimal File shall not be adjusted in the case of an event of the type specified in Section 3(e)(iii) of the Lease)).

(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 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, 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, at Lessee's option, (i) Babcock & Brown or (ii) a nationally-recognized firm of independent accountants selected by the Lessee and reasonably acceptable to 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 White & Case 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 in connection with a Section 17 Refunding, 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 in connection with a Section 17 Refunding, held in escrow by White & Case 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 7.5 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 materially 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.

(c) Limitation on Adjustments. No adjustment may be made to the payments of Basic Rent or to Stipulated Loss Values or Termination Values, unless (i) each installment of Basic Rent (together with any Advance payable under Section 3(f) of the Lease and any payment made by the Owner Participant under Section 16(a)), 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 of and interest on the Certificates required to be paid on the due date of such installment of Basic Rent 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 White & Case, and to cause White & Case 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 in 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, 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 (except that the amortization schedule in the Optimal File shall not be adjusted in the case of an event of the type specified in Section 3(e)(iii) of the Lease). In connection with the foregoing, the Owner Participant will provide White & Case 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. Meridian 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 Meridian 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 Meridian Trust Company (or any such successor Owner Trustee) shall be personally liable hereunder for its own gross negligence or its simple negligence in the handling of money 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, 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 final maturity date is more than six months after the final maturity date 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 or agreements with the Lessee as to the terms of such Section 20 Refinancing (it being understood that, without limiting the Owner Participant's obligation to use all reasonable efforts as aforesaid, the Owner Participant shall not be obligated to enter into any such agreements in connection with such a refinancing operation unless terms and conditions customary in similar aircraft leveraged lease refinancings shall have been satisfied) 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 Owner Participant shall not be named in any prospectus distributed in connection therewith (unless the Owner Participant shall at the time consent thereto) and Lessee shall have the right to purchase such debt securities and apply such debt securities as a credit against its obligations to pay Rent, so long as Lessee shall at no time hold all or substantially all of such debt securities and, for the purpose of any vote of such debt securities, any such debt securities held by the Lessee shall be disregarded and deemed not to be outstanding) 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 debt

securities in an aggregate principal amount equal to the principal amount of the Outstanding Certificates on 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, provided that if the Section 20 Refunding Date occurs on or prior to the Base Lease Commencement Date, the Owner Participant shall prepay that portion of the amounts payable by it as the Interim Payment Amount pursuant to Section 16(a) as shall equal the aggregate interest accrued on the Outstanding Certificates to the Section 20 Refunding Date and shall prepay the amounts payable by it as the Deferred Equity Amount pursuant to Section 16(a), (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 taking into account all reasonable fees, costs and expenses of such refunding or refinancing paid by the Owner Participant, (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 the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated as provided in Section 20(c), and (z) in the event that the debt instruments issued in such refunding or refinancing transaction are denominated in a foreign currency (it being understood that the terms of any such foreign denominated loan and the provisions of the operative documents relating thereto are to be reasonably acceptable to the Owner Participant), those portions of Basic Rent, Termination Value and Stipulated Loss Value payments allocable to the payments required to be made in a foreign currency with respect to such debt instruments shall likewise be denominated in and made in such currency or, in the alternative, the Lessee shall indemnify the Owner Participant against any losses resulting from foreign currency exchange rate fluctuations; and

(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;

provided, however, that if within 10 days after receipt of a request from the Lessee to effect a refunding or refinancing pursuant to this Section 20, which request specifies the proposed structural terms and the amount thereof, 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 material risk or increase in risk of 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)), 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, further, the parties agree that in the absence of a relevant Tax Change (x) a refinancing or refunding as such will not result in any such risk and (y) applying the requirements of Rev. Proc. 75-21, 1975-1 C.B. 715, including as applied for purposes of section 467 of the Code, in the manner described in Section 20(c) will not result in any such risk.

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 specified in the 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 Interim Payment Amount payable pursuant to Section 16(a) hereof (such recalculation of the Interim Payment Amount to take into account any prepayment by the Owner Participant on such Section 20 Refunding Date of all or part of the Interim 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 (1) the payments of Basic Rent or, at Lessee's option, (2) the payments of Basic Rent scheduled to be paid prior to the Special Purchase Option Date and the Special Purchase Price. In addition, in such event, the Special Purchase Price Percentage shall be recalculated such that the Special Purchase Price equals the greatest of (i) the appraised value of the Aircraft as of such date as set forth in Exhibit E to the Rent Schedule, (ii) 103% of the sum of the present values, as of the adjusted Special Purchase Option Date, of (a) Basic Rent payable with respect to the period from such Special Purchase Option Date to and including the twenty-fourth anniversary of the Base Lease Commencement Date and (b) the amount equal to 53% of Lessor's Cost (such present value calculation to utilize a discount rate equal to 13.5% per annum, compounded semi-annually), (iii) 103% of the amount that preserves Original After-Tax Yield as of such date and (iv) the amount that satisfies the aggregate after-tax cash flow and after-tax yield (using the multiple investment sinking fund method of calculation) constraints used by the Owner Participant in its pricing assumptions to determine the alternate Special Purchase Price Percentage (contained in the Optimal File), such constraints and such alternate Special Purchase Price Percentage having been furnished to the Lessee and placed in escrow with White & Case; provided, that the Special Purchase Option Date shall be changed (and that the Special Purchase Price Percentage be recalculated as of such changed date) to whichever of the five Lease Period Dates preceding the Special Purchase Option Date or the five 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, if necessary, the Lease shall be amended to reflect the change in the Special Purchase Option Date from November 26, 2008 to whichever of the Alternate Special Purchase Option Dates as would give rise to the lowest such sum. It is further agreed that, in the case of the Section 20 Refinancing, the requirements of Section 5.01 of Rev. Proc. 75-21, 1975-1 C.B. 715, including as applied for purposes of Section 467 of the Code, shall be applied, if possible, from the Base Lease Commencement Date (using the Assumed Rent (as defined below) with respect to periods prior to the Section 20 Refunding Date) and, if necessary, by adjusting any payment of Basic Rent not due prior to the Section 20 Refunding Date (including, if necessary, the payment of Basic Rent immediately succeeding the Section 20 Refunding Date). For purposes of this Section 20, "Assumed Rent" for each Lease Year or portion thereof shall mean the payments of Basic Rent (prior to the adjustments contemplated by this Section 20) allocated to such year or such portion under the Lease (computed assuming that the Loan Certificates actually accrued interest at the Assumed Debt Rate, i.e., as set forth in Exhibit D-1 to the Lease) and "Lease Year" shall mean any annual period during the Basic Term commencing on the Base Lease Commencement Date or on any anniversary of the Base Lease Commencement 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 third preceding sentence, utilize the same methods and assumptions originally used to calculate the Special Purchase Price Percentage held in escrow by White & Case pursuant to Section 18(d).

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) and this Section 20.

SECTION 21. Miscellaneous. (a) Nothing contained in this Agreement (including Section 7(b) hereof), 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 whom the enforcement of the termination, amendment, supplement, waiver or modification is sought; and no such termination, amendment, supplement, waiver or modification shall be effective unless a signed copy thereof shall have been delivered to the Lessee, the

Indenture Trustee and the Owner Trustee. 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. This Agreement is made solely for the benefit of the parties hereto and 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 under the Trust Indenture, the Owner Trustee and its successors as Owner Trustee under the Trust Agreement and the Owner Participant and, subject to the provisions of Section 16(c) hereof, its successors and permitted assigns, and the ORIGINAL LOAN PARTICIPANTs and, subject to the provisions of Section 8(h) hereof, the other LOAN PARTICIPANTs. Each LOAN PARTICIPANT other than an 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.

(c) The representations, warranties, indemnities and agreements of the Lessee, the Owner Trustee, the Indenture Trustee, each LOAN PARTICIPANT and the Owner Participant provided for in this Agreement, and the Lessee's, the Owner Trustee's, the Indenture Trustee's, each LOAN PARTICIPANT'S and the Owner Participant's obligations under this Agreement, shall survive the making available of the respective Commitments by the Participants, the delivery of the Aircraft and the expiration or other termination (to the extent arising prior to such expiration or termination) of this Agreement and the other Operative Documents.

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_____
Name:
Title:

Address: P.O. Box 619616
Dallas/Fort Worth
International Airport
Texas 75261-9616
Attention: Senior Vice
President -
Finance

Facsimile: (817) 967-4318
Telephone: (817) 963-1234

MISSION FUNDING EPSILON

By_____
Name:
Title:

Address: 18101 Von Karman Avenue
Irvine, California
92715-1046
Attention:

Facsimile: (714) 757-0140
Telephone: (714) 757-2400

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

By_____
  Name:
  Title:

Address: 35 North Sixth Street
          Reading, Pennsylvania 19601

Facsimile: (215) 320-1349
Telephone: (215) 320-1348

FIRST SECURITY BANK OF UTAH,
  NATIONAL ASSOCIATION,
    as Indenture Trustee

By_____
  Name:
  Title:

Address: 79 South Main Street
          Salt Lake City, Utah 84111
          Attention: Corporate Trust
                     Department
          (AA 1992-MF-1)

Facsimile: (801) 350-5053
Telephone: (801) 350-5630

ROYAL BANK OF CANADA,
as ORIGINAL LOAN PARTICIPANT

By_____
Name:
Title:

Address:

Facsimile:
Telephone:

CREDIT SUISSE, NEW YORK
BRANCH,
as ORIGINAL LOAN PARTICIPANT

By_____
Name:
Title:

By_____
Name:
Title:

Address: Tower 49
12 E. 49th Street
New York, New York 10017

Facsimile: (212) 238-5331
Telephone: (212) 612-8000

EXHIBIT M TO
REFUNDING AGREEMENT
4(c)(8)

AMENDMENT TO PARTICIPATION AGREEMENT

The Participation Agreement is amended as follows:

1. AMENDMENT OF RECITALS TO THE PARTICIPATION AGREEMENT. The parenthetical in clause (ii) of the fifth whereas clause is amended by deleting it 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 7 OF THE PARTICIPATION AGREEMENT. (a) Section 7(b)(2) is amended by deleting the words "each Original Loan Participant" and substituting therefor the words "the Pass Through Trustee, each Original Loan Participant (with respect to matters arising prior to the Refunding Date)", by inserting following clause (b) in the second 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," and by renaming clauses (c) and (d) in such parenthetical as clauses (d) and (e), respectively. Renamed clause (e) of Section 7(b)(2) is amended to insert 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 Underwriting Agreement, the Pass Through Trust Documents" after the words "Trust Agreement and Indenture Supplement"; clause (vi) of the first sentence of Section 7(b)(3) of the Participation Agreement is amended by inserting after the words "any Certificates or" the words "any 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 the words "2.13 or Article IV" and replacing them with the words "6.01(b)(2) or Article 8".

(e) Clause (vii) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trustee," after the words "Owner Trustee", and by inserting the words "or the Pass Through Trust Documents" after the words "Trust Agreement".

(f) Clause (viii) of Section 7(b)(4) is amended by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents" each time they appear.

(g) Section 7(b)(4)(ix) 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" and before the semi-colon at the end thereof.

(h) Section 7(b)(4)(xiii) 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 Certificates or otherwise under the Trust Indenture with respect to Premium Amount, if any, payable as a result of a redemption or purchase of the Certificates pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of the Lessee;".

(i) Section 7(b)(4)(xiv) is amended by deleting the word "and" after the semi-colon at the end thereof.

(j) Section 7(b)(4)(xv) is amended by deleting the period at the end thereof and replacing it with a semicolon, followed by the word "and".

(k) A new Section 7(b)(4)(xvi) is hereby added and reads 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)."

(l) Section 7(c)(1)(C) is amended by inserting the words "or Pass Through Trust Document or Pass Through Certificate" between the words "Document" and ";".

(m) Section 7(c)(1)(D) is amended by inserting the words "the Pass Through Trust Documents or the Pass Through Certificates" between the words "Operative Documents," and "or the issuance"; and by inserting the words "or the Pass Through Trust Certificates" between the words "Certificates" and "(or the refinancing thereof)".

(n) Section 7(c)(1)(G) is amended by inserting the words "and the Pass Through Trust Documents" after the words "Operative Documents".

(o) Section 7(c)(2)(B) is amended by deleting the words "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 (B) 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 (it being understood that nothing in this paragraph (B) shall impair the right of any Loan Participant to an indemnity pursuant to Section 2.04 of the Indenture)".

(p) Section 7(c)(2)(D) is amended by deleting the words "(other than a transfer pursuant to Section 2.04(i) of the Indenture)"; and by deleting the word "2.16" and substituting the word "7.03" therefor.

(q) Section 7(c)(2)(E) is amended by deleting the word "2.16" and substituting the word "7.03" therefor.

(r) Section 7(c)(2)(G) is amended by deleting the words "any Loan Participant,"; by deleting the word "and" between the words "Agreement" and "the Lease" and substituting the word "," therefor; and by inserting the words "or the Refunding Agreement" after the word "Lease" and before the semi-colon at the end thereof.

(s) Section 7(c)(2)(J) is amended by deleting the words "any Loan Participant,".

(t) Section 7(c)(2)(L) is amended by deleting the words "any Loan Participant,".

(u) Section 7(c)(2)(N) is amended by deleting the words "any Loan Participant,".

(v) Section 7(c)(2)(Q) is amended by deleting each occurrence of the words "any Loan Participant,".

(w) Section 7(c)(4)(x) is amended by deleting the words "(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)".

(x) Section 7(c)(10) is amended by deleting the words ", 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"

(y) Section 7(c)(11) is amended by deleting the words "the Loan Participants,"; and by inserting the words "(but shall not include the Pass Through Trustee, any Loan Participant or any holder of a Pass Through Certificate)" between the words "Indenture Estate" and ",".

(z) Section 7(c)(13) is amended by deleting the words "; provided that nothing in this paragraph 13 shall affect the Lessee's obligations under clause (iii) of the second sentence of Section 3(c) of the Lease".

(aa) Section 7(d) is amended by inserting the words "or any of the Pass Through Trust Documents" between the words "Operative Documents" and ".".

(ab) Section 7(h) is amended by deleting it in its entirety.

4. AMENDMENT OF SECTION 8 OF THE PARTICIPATION AGREEMENT. Section 8(h), (i) and (j) are deleted in their entirety, and the following shall be inserted as Sections 8(h), (i) and (j):

"(h) So long as no Event of Default or Payment or Bankruptcy Default has occurred and is continuing, 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; provided that, if such Event of Default as specified in Sections 14(b), 14(c), 14(d) or 14(e) of the Lease shall have occurred and is continuing, no such monies may be withheld from the Lessee by the Owner Trustee for more than 90 days, during which period (i) the Owner Trustee shall not have been limited by operation of law or otherwise (including without limitation any action or inaction of the Indenture Trustee) from exercising remedies under the Lease and (ii) the Owner Trustee shall not have commenced to exercise any remedy available to it under Section 15 of the Lease."

"(i) [Intentionally Omitted]."

"(j) 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 the Pass Through Trustee or the Loan Trustee, directly or indirectly (other than the recourse liability of the Owner Participant under Section 16(a)(ii) of this Agreement), to make payment on account of any amount payable as principal, Premium Amount, if any, or interest on the Certificates, (iii) the 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, and (iv) the Pass Through Trustee or the Loan Trustee shall have received written notice that the payment constitutes an Excess Payment prior to the time such payment is distributed by the Pass Through Trustee or the Loan Trustee; provided that no such distribution shall be made prior to a date which is at least five Business Days after the Pass Through Trustee or the Loan Trustee, as the case may be, shall have given written notice to the Owner Participant that such distribution will take place, then the Pass Through

Trustee or the Loan Trustee, as the case may be, 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 8(j), "Excess Payment" means the amount by which such payment exceeds the amount which would have been received by the 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 (ii) above. Nothing contained in this Section 8(j) shall prevent the 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 this Participation Agreement or the Trust Indenture (and any exhibits or annexes thereto) that is expressed as being an obligation of the Owner Participant or the Owner Trustee (in its individual capacity), respectively."

5. AMENDMENT OF SECTION 9 OF THE PARTICIPATION AGREEMENT. (a) The third 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 deleting it in its entirety and substituting therefor the following:

"Each of the Owner Participant and the Owner Trustee hereby agrees with the Lessee, each Loan Participant, and the Loan Trustee (i) to 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 capacities the noncompliance with which would materially adversely affect any such party, (ii) not to amend, supplement, or otherwise modify any provision of the Trust Agreement in a manner adversely affecting the Lessee without the prior written consent of the Lessee or in a manner adversely affecting the Loan Trustee or a Loan Participant without the prior consent of the Loan Trustee and (iii) notwithstanding anything to the contrary contained in the Trust Agreement, not to terminate or revoke the trust created by the Trust Agreement without the prior written consent of the Lessee (such consent of the Lessee not to be unreasonably denied) and the Loan Trustee; provided, that

the Lessee's consent shall not be required if an Event of Default shall have occurred and be continuing or if the Owner Trustee shall be in breach of any of its obligations under the Trust Agreement."

(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(i) is amended by deleting it in its entirety and substituting therefor the following:

"(i) [Intentionally Omitted]."

(f) Section 9(l) is amended by deleting the words "Section 3.07(b)" each time they appear and substituting therefor the words "Section 9.03".

(g) 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 Certificate remains outstanding, the Lessee will not cause a change in registration unless such change is in compliance with such Section 7.02."

6. AMENDMENT OF SECTION 10 OF THE PARTICIPATION AGREEMENT. Section 10 is amended by deleting the second, third, fourth and fifth sentences thereof and substituting therefor the following:

"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 expressly consents and agrees to the provisions of the Granting Clause and Sections 8.01, 8.03(e), 8.03(f), 11.01, 11.02 and 11.06 of the Trust Indenture. The Lessee, 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 Trust 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."

7. AMENDMENT TO SECTION 12 OF THE PARTICIPATION AGREEMENT. The first sentence of Section 12 is amended by inserting the words "or the Refunding Agreement" after the words "this Agreement". Section 12 is further amended by inserting the word "Original" before the words "Loan Participant(s)" each time they appear.

8. AMENDMENT TO 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" 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) The following new paragraph (G) of Section 13 is added as follows:

"(G) The Lessee agrees to pay on behalf of the Owner Trustee the Owner Trustee's pro rata share of the ongoing fees and expenses of the Pass Through Trustee under each Pass Through Trust Supplement, and, to the extent expressly provided in Section 7.06(4) of the Pass Through Trust Agreement, any indemnity payments payable to the Pass Through Trustee in its individual capacity. The Owner Trustee's pro rata share of such fees, expenses and indemnity payments of the Pass Through Trustee under each Pass Through Trust Supplement shall be determined by dividing the aggregate principal amount of the Equipment Notes held by such Pass Through Trustee by the aggregate principal amount of all of the Equipment Notes held by such Pass Through Trustee."

9. AMENDMENT OF SECTION 15 OF THE PARTICIPATION AGREEMENT. (a) Section 15(a) is amended by deleting the definitions of "Interest Period", "LIBOR Loan", "LIBOR Rate", "London Business Day", "New York Business Day", "Optimal File", "Permitted Transferee", "Short Period Loan" and "Short Period Rate" and by inserting the following definitions in alphabetical order:

"Other Indentures" means and includes the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994, between the Wilmington Trust Company, as Owner Trustee and the State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, and the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994, between Wilmington Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee.

"Pass Through Trust Documents" means the Pass Through Trust Agreement and the Pass Through Trust Supplements.

"Refinancing File" shall have the meaning set forth in the definition of "Owner Participant's Revised Net Economic Return".

"Section 20 Refinancing" means the refinancing under the Refunding Agreement.

(b) The definition of "Owner Participant's Revised Net Economic Return" in Section 15(a) is hereby amended in its entirety to read as follows:

"'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 Owner Participant (party to this Agreement as of May 26, 1994) with respect to the Aircraft, in each case utilizing the same assumptions and constraints (other than those relating to debt amortization in the case of any refunding or refinancing) as used by such Owner Participant (including the Tax Assumptions set forth in Section 1 of the Tax Indemnity Agreement) in determining the Basic Rent, Stipulated Loss Value and Termination Value schedules with respect to the Term and the Special Purchase Price Percentage attached as an Exhibit to, or provided in, as the case may be, the Rent Schedule (the "Refinancing File"), 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, Termination Value or Special Purchase Price Percentage."

(c) Section 15(c) is amended by deleting the words " (i) if to the Lessee, the Owner Trustee, or the Indenture Trustee, to their respective addresses or numbers set forth below the signatures of such parties at the foot of this Agreement, or (ii) if to the Owner Participant or any Loan Participant, to its address set forth in Schedule I hereto" and substituting therefor the words "if to the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Loan Trustee or the Pass Through Trustee, 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(b) is hereby amended by inserting the words ", and the Loan Trustee's lien on," between the words "use of" and "the Aircraft".

(b) 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.

(c) Clause (E) of Section 16(c)(i) and clause (B) of Section 16(c)(ii) are each amended by inserting the words "and the Loan Trustee" after the words "an opinion of counsel reasonably satisfactory to the Lessee".

(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) Sections 17(a) and (b) are amended in their entirety to read as follows:

"(a) So long as no Event of Default or Payment or Bankruptcy 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 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 in good faith to conclude an agreement with the Lessee as to the terms of such refunding or refinancing operation (it being understood that, without limiting the Owner Participant's obligation to negotiate in good faith as aforesaid, the Owner Participant shall not be obligated to enter into any such agreements in connection with such a refunding or refinancing operation unless terms and conditions customary in aircraft leveraged lease refundings or refinancings shall have been satisfied), and upon such agreement:

(i) the Lessee, the Owner Participant, the Loan Trustee (to the extent not inconsistent with the Trust Indenture), 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 or the sale of the Owner Trustee's interest in the Trust Estate and/or the Aircraft and a

resale thereof to such Owner Trustee; provided, however, that in the case of a refunding or refinancing involving a public offering of debt securities the Owner Participant shall not be named in any prospectus distributed in connection therewith (unless the Owner Participant shall at the time consent thereto), 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, so long as Lessee shall not at any time hold all or substantially all of such debt securities and, for the purpose of any vote of such debt securities, any such debt securities held by the Lessee shall be disregarded and deemed not to be outstanding) 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 debt securities in an aggregate principal amount equal to the principal amount of the Equipment Notes to be redeemed, on 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, (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 taking into account all reasonable fees, costs and expenses of such refunding or refinancing paid by the Owner Participant, (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 the Special Purchase Price Percentage and the Special Purchase Option Date shall be recalculated as provided in Section 18, and (z) in the event that the

debt instruments issued in such refunding or refinancing transaction are denominated in a foreign currency (it being understood that the terms of any such foreign denominated loan and the provisions of the operative documents relating thereto are to be reasonably acceptable to the Owner Participant), those portions of Basic Rent, Termination Value and Stipulated Loss Value payments allocable to the payments required to be made in a foreign currency with respect to such debt instruments shall likewise be denominated in and made in such currency or, in the alternative, the Lessee shall indemnify the Owner Participant against any losses resulting from foreign currency exchange rate fluctuations; and

(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 effective as of the date of the relevant refunding or refinancing, as may be necessary to effect such refunding or refinancing, provided that no such amendment or supplement will increase the obligations or materially impair the rights of the Owner Participant under the Operative Documents without the consent of the Owner Participant;

provided, however, that (w) 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 issued under the Other Indentures be simultaneously redeemed, (x) there shall be no more than two such refundings or refinancings (not including the Section 20 Refinancing), (y) Lessee shall pay the Owner Participant a fee of $25,000 in connection with each refunding or refinancing pursuant to this Section 17 occurring subsequent to the first such refunding or refinancing and (z) if within 20 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 opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to the Lessee to the effect that there will be a material risk or increase in risk of 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) unless there shall have occurred a relevant Tax Change), 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 relevant amendment to, or change in, the Code or any other Federal tax statute or any regulation promulgated under any of the foregoing (or official interpretation of any of the foregoing) after the execution and delivery of the Participation Agreement a refinancing or refunding as such will not result in any such risk."

"(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) Section 18(a) 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 1.46772034% of Lessor's Cost, or (B) prior to the acceptance of the Aircraft on the Delivery Date: (1) there shall have occurred a Tax Change and (2) after having been advised in writing by the Owner Participant of such Tax Change 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 May 28, 1992, or (E) if the

Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Interim Payment Amount (after adjustment for any Interim Payment Differential Amount) is other than $1,345,440.50, or (F) any amount is paid by the Lessee to the Owner Participant pursuant to the Tax Indemnity Agreement, or (G) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Deferred Equity Amount is other than $3,275,000.00, then the Owner Participant shall recalculate the payments of Basic Rent, Stipulated Loss Values, Termination Values, (or, in the case of an event described in clause (F) above, payments of Stipulated Loss Values and Termination Values only) 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 (1) the payments of Basic Rent or, at Lessee's option, (2) the payments of Basic Rent scheduled to be paid prior to the Special Purchase Option Date (as such date may be adjusted pursuant to the Operative Documents) and the Special Purchase Price. In addition, (x) in the event of a Section 17 Refunding, 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 and (y) with respect to an event described in clause (A), (B), (D), (E) or (G) of the preceding sentence, the Special Purchase Price Percentage as of any date shall be recalculated such that the Special Purchase Price equals the greatest of (i) the appraised value of the Aircraft as of such date as set forth in Exhibit E to the Rent Schedule, (ii) 103% of the sum of the present values, as of the Special Purchase Option Date (as such date may be adjusted pursuant to the Operative Documents), of (a) Basic Rent payable with respect to the period from such Special Purchase Option Date to and including the twenty-fourth anniversary of the Base Lease Commencement Date and (b) an amount equal to 53% of Lessor's Cost (such present value calculation to utilize a discount rate equal to 13.5% per annum, compounded semi-annually), (iii) 103% of the amount that preserves Original After-Tax Yield as of such date and (iv) the amount that satisfies the aggregate after-tax cash flow and after-tax yield (using the multiple

investment sinking fund method of calculation) constraints used by the Owner Participant in its pricing assumptions to determine the Special Purchase Price Percentage (contained in the Refinancing File). 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 (referred to in the definition of Owner Participant's Revised Net Economic Return) and the Special Purchase Price Percentage included in the Refinancing File as such assumptions may be changed as a result of the event described in clause (A), (B), (C), (D), (E), (F) or (G) of the second preceding sentence necessitating such recalculation or due to the prior occurrence of any such event."

(b) Section 18(b) is amended in its entirety to read as follows:

"(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 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, 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, at Lessee's option, (i) Babcock & Brown or (ii) a nationally-recognized firm of independent accountants selected by the Lessee and reasonably acceptable to the Owner Participant. A representative of such firm shall be shown, on a confidential basis, the methods and assumptions originally used by the Owner Participant (party to this Agreement as of May 26, 1994) in the calculation of the schedules contained in the Refinancing File and the Special Purchase Price

Percentage contained in the Refinancing File. 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 7.5 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 materially 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."

(c) Section 18(d) is amended by deleting it in its entirety.

13. DELETION OF SECTION 20 OF THE PARTICIPATION AGREEMENT. Section 20 is hereby deleted and the words "Section 20. [Intentionally Omitted; provided that Section 20(c) of the Original Participation Agreement shall remain in effect solely for purposes of performing certain calculations as provided in Section 18 of the Participation Agreement.]" are substituted therefor.

14. AMENDMENT OF SECTION 21 OF THE PARTICIPATION AGREEMENT. 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 Trus-

tee 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 Trustee, such consent not to be unreasonably withheld, except that the Owner Trustee shall not be required to consent to any such modification or amendment which adversely affects its interests (as trustee or in its individual capacity) or the interests of the Owner Participant."

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 1994 PTC Series AA).

EXHIBIT 4(c)(9)

PARTICIPATION AGREEMENT
(AA 1991 AF-1)

Dated as of June 25, 1991

between

AMERICAN AIRLINES, INC.,
as Lessee

WILMINGTON TRUST COMPANY,
as Owner Trustee

C&S/SOVRAN TRUST COMPANY (GEORGIA),
NATIONAL ASSOCIATION,
as Indenture Trustee

AT&T CREDIT CORPORATION,
as Owner Participant

and

SWISS BANK CORPORATION,
NEW YORK BRANCH,
as ORIGINAL LOAN PARTICIPANT

_____

One Boeing 757-223 Aircraft
N647AM

Leased to American Airlines, Inc.

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PARTICIPATION AGREEMENT
(AA 1991 AF-1)

This PARTICIPATION AGREEMENT (AA 1991 AF-1), dated as of June 25, 1991, 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) C&S/SOVRAN TRUST COMPANY (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) SWISS BANK CORPORATION, NEW YORK BRANCH (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 757-223 aircraft bearing U.S. Registration Number N647AM and Manufacturer's Serial Number 24605, 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, immediately following the transfer by the Manufacturer 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 1991 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, the Trust Agreement and Indenture Supplement 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 1991 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, the Trust Agreement and Indenture Supplement 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 2.02 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 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 1991 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 (ii) to execute and deliver a certain Lease Agreement (AA 1991 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, 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 I. 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 $46,000,000 ("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 determined by multiplying Lessor's Cost by the percentage 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. 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 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 (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 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 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), to 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 II. 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 1:00 P.M., New York City time, on the 3rd Business Day preceding the Delivery Date for the Aircraft, which notice shall specify the amount of Lessor's Cost for the Aircraft and the respective amounts of the Owner Participant's Commitment and the ORIGINAL LOAN PARTICIPANT'S Commitment with respect to the Aircraft. On the Delivery Date specified in such notice, immediately prior to the payment specified in Section 2(b), the Owner Participant will make the amount of its Commitment available to the Owner Trustee, and, immediately prior to the payment specified in Section 2(b), 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 the Owner Participant or the ORIGINAL LOAN PARTICIPANT (as the case may be) or waived by the Owner Participant or 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 III. Owner Participant's Instructions to the Owner Trustee; Confirmation of Authorizations, Representations and Warranties. 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 IV. 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):

1. 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.

2. 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.

3. 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 such 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 such 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 2.02 of the Trust Indenture, dated the Delivery Date and issued in the name of the ORIGINAL LOAN PARTICIPANT.

4. 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.

5. 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 full force and effect and copies thereof shall have been delivered to the Owner Participant and the ORIGINAL LOAN PARTICIPANT or their respective special counsel:

(1) the Lease;

(2) a Lease Supplement covering the Aircraft dated the Delivery Date;

(3) the Trust Agreement;

(4) the Trust Indenture, and a Trust Agreement and Indenture Supplement covering the Aircraft dated the Delivery Date;

(5) the Purchase Agreement (with the exception that certain exhibits and supplements thereto need not be delivered to the Owner Participant or the ORIGINAL LOAN PARTICIPANT);

(6) the Purchase Agreement Assignment;

(7) the Tax Indemnity Agreement (for the Owner Participant only);

(8) 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 Manufacturer in favor of the Lessee and dated the Delivery Date (the "Manufacturer'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 in favor of the Lessee;

(9) 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");

(10) 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;

(11) 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

(12) 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.

6. 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;

7. 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:

(1) 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 any other documents required to be executed and delivered by the Lessee in accordance with the provisions hereof;

(2) 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;

(3) 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

(4) 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.

8. 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:

(1) the Owner Trustee has good title (subject to filing and recording of the Manufacturer's FAA Bill of Sale and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens 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 Trust Indenture Supplement covering the Aircraft and other Liens permitted under the Lease;

(2) the Aircraft has been duly certified by the Federal Aviation Administration as to type and airworthiness in accordance with the terms of the Lease;

(3) the Manufacturer'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;

(4) application for registration of the Aircraft in the name of the Owner Trustee shall have been duly made with the Federal Aviation Administration;

(5) the Lessee has the regulatory authority required in order to operate the Aircraft on the Lessee's routes; and

(6) 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.

9. 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 consolidated balance sheet of the Lessee and its consolidated subsidiaries as of December 31, 1990, and (iii) no event has occurred and is continuing, or would result from the purchase, sale or lease of the Aircraft, 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.

10. 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.

11. 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.

12. 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.

13. 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 Winthrop, Stimson, Putnam & Roberts, special counsel for the ORIGINAL LOAN PARTICIPANT.

14. 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.

15. 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;

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. The Owner Participant shall have received an opinion, in form and substance reasonably satisfactory to the Owner Participant, from AVMARK, 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 January 2, 2013.

22. The ORIGINAL LOAN PARTICIPANT and the Owner Participant shall have received a certificate of an appraiser as to the fair market value of the Aircraft.

23. All appropriate action required to have been taken 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.

24. In the opinion of the Owner Participant and its special counsel, there shall have been since January 1, 1991, 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.

25. 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 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 Trust 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 the Owner 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 V. 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 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 mean such postponed "Delivery Date"); provided that such postponed Delivery Date shall not be a date later than September 30, 1991. During such period, the Lessee shall have the right to find another leasing or financial institution to be substituted for the defaulting 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 defaulting 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 defaulting Participant, for all purposes of this Agreement, the Trust Agreement, the Trust Indenture, and the Lease and to have assumed all obligations of the defaulting 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 defaulting 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 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 September 30, 1991), 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.

C. In the event of any postponement of the Delivery Date pursuant to Section 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(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 September 30, 1991.

SECTION VI. 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 VII. Lessee's Representations, Warranties and Indemnities. A. In General. The Lessee represents and warrants that:

(1) 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

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"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;

(2) 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;

(3) 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 or foreign governmental authority or agency, other than the registration and filings referred to in Section 7(a)(viii);

(4) this Agreement constitutes, and each other Operative Document to which the Lessee is a party will, when executed, constitute, 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;

(5) there are no pending or threatened actions or proceedings before any court 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;

(6) 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, 1989, inclusive, are subject to examination by the Internal Revenue Service;

(7) 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

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noted in such financial statements); since December 31, 1990, there has been no material adverse change in such consolidated financial position of the Lessee and its consolidated subsidiaries, taken as a whole;

(8) 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 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;

(9) 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;

(10) 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;

(11) 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

(12) 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.

B. General Indemnity. a. 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.

b. 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, 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, direct and indirect corporate parents (except with respect to Credit), directors, officers, employees, agents and servants (the respective successors and permitted assigns, direct and indirect corporate parents (except with respect to Credit), directors, officers, employees, agents and servants of (a) the Owner Trustee, together with the Owner Trustee, (b) the Owner Participant, together with the Owner Participant, (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).

c. 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, 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) or (iv) 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.

d. Claims Excluded. The following are excluded from the Lessee's agreement to indemnify any Indemnitee under this Section 7(b):

(1) 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;

(2) 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;

(3) Any Claim to the extent caused by the gross negligence or willful misconduct of such Indemnitee or any of the Related Indemnitee Group (other than any gross negligence or willful misconduct imputed as a matter of law to such Indemnitee solely by reason of its status as a party to any of the Operative Documents);

(4) Any Claim to the extent caused by the noncompliance by such Indemnitee or any of the Related Indemnitee Group with any of the terms of, or any misrepresentation by such Indemnitee or any of the Related Indemnitee Group contained in, this Participation Agreement or any other Operative Document to which such Indemnitee or any of the 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);

(5) Any Claim that constitutes a Permitted Lien attributable to such Indemnitee;

(6) 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;

(7) 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;

(8) 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;

(9) 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;

(10) Any Claim to the extent caused by an Indenture Default that does not also constitute an Event of Default under the Lease;

(11) 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;

(12) 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;

(13) 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);

(14) 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

(15) Any Claim made by a direct or indirect corporate parent of an Indemnitee, to the extent that such Claim is based on losses suffered by or any decline in the net worth of such Indemnitee (but only to the extent that such losses or such decline in net worth is caused by events for which such Indemnitee 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.

e. 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 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.

f. Claims Procedure. An Indemnitee shall promptly notify the Lessee of any Claim as to which indemnification is sought. 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 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. 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, 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 opinion of the independent counsel appointed by the Lessee or its insurers to conduct such proceedings, 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, the Lessee shall not under any circumstances be liable for the fees and expenses of more than one counsel for all Indemnitees except in the case specified in the proviso to the third sentence of this paragraph (6).

g. 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. 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.

h. 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 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 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 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 or pursuant to Section 2.04(i) of 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 (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 a Tax Indemnitee;

(v) Taxes 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 a 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) 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 Indemnitee (other than Wilmington Trust Company or C&S/Sovran Trust Company (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 Indemnitee or any Tax Indemnitee related to such Tax Indemnitee 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 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 (it being understood that nothing in this paragraph (xv) shall impair the right of any LOAN PARTICIPANT to an indemnity pursuant to 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 apari 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, 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 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 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(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.

(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 making of its Commitment, 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 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) to this Agreement. 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.

(g) Exercise of Right. The Owner Trustee agrees with the Lessee that it will exercise its rights under Section 2.04(j) of the Trust Indenture solely at the Lessee's request and direction.

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 or (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.

(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 other than in a manner required or permitted by the Securities Act of 1933, as amended, and by the rules and regulations thereunder.

(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 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, 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 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, when executed and delivered, will constitute 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 my 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 1991 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, the Trust 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 issued to it pursuant to the Trust Indenture are being acquired by it for its own account and for investment and are not being acquired with a view to any resale or distribution thereof, provided that such representation shall in no way limit the ORIGINAL LOAN PARTICIPANT'S right to 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 in accordance with all 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; 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) Winthrop, Stimson, Putnam & Roberts, 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 appraisals 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, 1991. 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 Sec-

tion 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 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.

(d) Each of the Owner Participant and the 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 with respect to the Aircraft 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 (i) from any LOAN PARTICIPANT pursuant to Section 2.04 of the Trust 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 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.

(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 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, (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, 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 following conditions are met or are waived by the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders; (i) the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders 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, 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 acting under the direction of a Majority in Interest of Certificate Holders 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 acting under the direction of a Majority in Interest of Certificate Holders 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 acting under the direction of a Majority in Interest of Certificate Holders on or prior to the effective date of such change in registration); (B) the terms of the Lease and the Trust Indenture being legal, valid and binding and enforceable in such jurisdiction (subject to customary exceptions); and (C) there are no requirements that the Owner Participant and/or the Owner Trustee must meet to maintain the registration of the Aircraft and the validity and perfection of the Lien of the Trust Indenture under the laws of such jurisdiction (or, if such opinion cannot be given, such opinion shall detail such requirements); (ii) the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders shall have received assurances reasonably satisfactory to it (x) that the insurance provisions

of the Lease will have been complied with after giving effect to such change in registration and (y) as to the Owner Participant's and the Owner Trustee's agreement to meet the requirements, if any, referred to in Section 9(n)(i)(C) above or, if such requirements can be met by the Lessee, the Lessee's agreement to do so; and (iii) the Lessee shall have paid or made provision for the payment of all expenses of each LOAN PARTICIPANT and the Indenture Trustee 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 5 Business Days prior to January 1 of each year in which the Indenture shall be in effect, commencing on December 24, 1991, 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 Section 9(q) hereof and 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. 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 at any time (i) from the Delivery Date until January 30, 1992 and

(ii) after July 30, 1994, provided that such sale, assignment, pledge or transfer is made in accordance with all 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 other than the ORIGINAL LOAN PARTICIPANT or any Initial Transferee, which 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 with all 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) The ORIGINAL LOAN PARTICIPANT and each Initial Transferee (as defined in the Trust Indenture) 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) notwithstanding any such participation, (i) the ORIGINAL LOAN PARTICIPANT'S or such Initial Transferee's, as applicable, obligations under the Operative Documents shall remain unchanged, (ii) the ORIGINAL LOAN PARTICIPANT or such Initial Transferee, as applicable, shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (iii) the ORIGINAL LOAN PARTICIPANT or such Initial Transferee, as applicable, shall remain the Holder of the Certificates, and the other parties to the Operative Documents shall continue to deal solely and directly with the ORIGINAL LOAN PARTICIPANT or such Initial Transferee, as applicable, in connection with the Certificates and the LOAN PARTICIPANT'S rights and obligations under the Operative Documents and (B) in the case of each such participation, such participation is made in accordance with all applicable laws to a Permitted Transferee. The liability of the Owner Trustee in respect of increased costs, Break Amount and withholding taxes under Section 2.04, 2.17 or 2.18 of the Trust Indenture shall not, as a result of any participation granted by the

ORIGINAL LOAN PARTICIPANT or any Initial Transferee, exceed what would have been its liability thereunder if the ORIGINAL LOAN PARTICIPANT or such Initial Transferee, as applicable, had not granted any such participation. The ORIGINAL LOAN PARTICIPANT and each Initial Transferee 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 the ORIGINAL LOAN PARTICIPANT or such Initial Transferee, as applicable, thereunder or in connection therewith and permitted to be disclosed by the ORIGINAL LOAN PARTICIPANT or such Initial Transferee, as applicable; 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) C&S/Sovran Trust Company (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.

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 has 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 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 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 Winthrop, Stimson, Putnam & Roberts 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;

(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; and

(ix) the Lessee and the Indenture Trustee shall have received from the ORIGINAL LOAN PARTICIPANT two copies of Internal Revenue Service Form 4224 executed by the ORIGINAL LOAN PARTICIPANT.

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. 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 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 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 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 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, andthird, 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 1992, 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, as is necessary to maintain, for the 15-month period succeeding the date of such opinion, 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 security interests.

(D) The Lessee shall at all times maintain its corporate existence except as permitted by Section 13(E). 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.

(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 the 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.

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.

"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 1 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 1 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 that (w) is organized under the laws of the United Kingdom, France, Germany or The Netherlands (each, an "Applicable Jurisdiction"), (x) 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, (y) in the case of a commercial banking institution that is organized under the laws of Germany, in addition would be entitled to such a complete exemption under the provisions of the Proposed Treaty 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 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 effec-

tively 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, 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) 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 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.

"Proposed Treaty" shall mean the proposed income tax treaty between the United States and Germany signed in August 1989 and the accompanying protocol.

"Related Indemnitee Group" shall have the meaning set forth in Section 7(b) hereof.

"Short Period Loan" shall have the meaning set forth in the Trust Indenture.

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"Short Period Rate" 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 re-ferred to in the definition of the Owner Partici-pant'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 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 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.

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 $1,947,948.23 (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).

(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 indemnifies and holds 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 comparable to those of the Owner Participant contained herein and, in the event such Transferee is a partnership, such additional documents and/or amend-

ments 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 at any time the subsidiary of another Person, 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. 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 within two years after the Delivery Date 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 paragraph (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) 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) 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 Par-ticipant, 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.

(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 of the Participation Agreement 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 2, 1991, 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 $1,947,948.23, 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 ad-justment 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) 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; pro-

vided, 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 January 2, 2013; provided that the Special Purchase Price Percentage for the Special Purchase Option Date, as so adjusted, shall not be less than 51.8%. 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 January 2, 2013 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 AVMARK, Inc. or, if AVMARK, 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 pay-

ments 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.

(e) (i) So long as no Indenture Event of Default shall have occurred and be continuing, without the consent of the Owner Trustee, the Indenture Trustee will not modify, amend, supplement or waive any provision of the Lease.

(ii) If an Indenture Event of Default shall have occurred and be continuing, the Indenture Trustee shall have the right, without the consent of the Owner Trustee, to modify, amend, supplement or waive any provision of the Lease, or give any consent, waiver or authorization thereunder, unless such Indenture Event of Default shall have resulted from a Lease Event of Default, in which event the Indenture Trustee shall not, except as permitted by the terms of Section 21(e)(iii), without the consent of the Owner Trustee, agree to any such modification, amendment, supplement or waiver or give any such consent, waiver or authorization (a "Proposed Adverse Lease Amendment"), if the effect thereof is to reduce the amount or delay the time of payment of Basic Rent, Stipulated Loss Value or Termination Value payable under the Lease, extend the Basic Term or any Renewal Term under the Lease, change the terms or conditions of any refinancing, reoptimization or purchase option under the Lease or any insurance required to be maintained pursuant to the Lease, change any requirement in Section 7(a) or (b) of the Lease, or otherwise materially and adversely affect the interest of the Owner Trustee or the Owner Participant.

(iii) If the Indenture Trustee shall propose to enter into any Proposed Adverse Lease Amendment, it shall give prior written notice of the substantive terms of such proposal and, if available, a copy of the Proposed Adverse Lease Amendment which it proposes be entered into to the Owner Trustee and the Owner Participant, and no such Proposed Adverse Lease Amendment shall be entered into or effected for a period of 20 Business Days following such

notice and delivery without the consent of the Owner Trustee. If the Owner Trustee shall, at the end of such 20 Business-Day period, neither have consented to the Proposed Adverse Lease Amendment nor have exercised its option to purchase the Loan Certificates provided in Section 2.13 of the Indenture, then, at any time within 20 Business Days after such notice and delivery during which such Indenture Event of Default is continuing, the Indenture Trustee may enter into or effect such Proposed Adverse Lease Amendment without the consent of the Owner Trustee or the Owner Participant.

(iv) Promptly after the execution and delivery thereof, either the Owner Trustee or the Indenture Trustee, as the case may be, will provide or cause to be provided to each Holder, the Owner Trustee, the Owner Participant and the other such party executed or true and correct copies of any modification, amendment, supplement, waiver, consent or authorization executed and delivered pursuant to this Section 21(e).

(v) At any time during the 20 Business-Day period commencing with the giving of notice and delivery of a Proposed Adverse Lease Amendment pursuant to Section 21(e)(iii), the Owner Trustee shall have the right to repurchase the Loan Certificates pursuant to Section 2.13 of the Indenture as if such period were the period referred to in clause (x) of such Section 2.13.

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_____
Name:
Title:

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) 967-1234

AT&T CREDIT CORPORATION

By_____
Name:
Title:

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_____
Name:
Title:

Address: Rodney Square North
Wilmington, Delaware 19890
Attention: Corporate Trust
Administration
(AA 1991 AF-1)

Telex: 835437
Answerback: WILM TR
Facsimile: (302) 651-8464
Telephone: (302) 651-1000

C&S/SOVRAN TRUST COMPANY (GEORGIA),
NATIONAL ASSOCIATION, as Indenture
Trustee

By_____
Name:
Title:

Address: North Avenue
Suite 700
Atlanta,Georgia 30308
Attention: Corporate Trust
Department
(AA 1991 AF-1)

Facsimile: (404) 897-3142
Telephone: (404) 897-3263

SWISS BANK CORPORATION,
NEW YORK BRANCH

By_____
Name:
Title:

By_____
Name:
Title:

Address: Swiss Bank Tower
10 East 50th Street
New York, New York 10022
Attention: Aviation
Finance Group

Telex: 232432
Answerback: SBNY ur
Facsimile: (212) 574-3092
Telephone: (212) 574-3000

EXHIBIT M TO
REFUNDING AGREEMENT
4(c)(10)

AMENDMENT TO PARTICIPATION AGREEMENT

The Participation Agreement is amended as follows:

1. Amendment of First Paragraph and Recitals to the Participation Agreement. Clause (v) of the first paragraph is amended by inserting the words ", together with Westland/Utrecht Hypotheekbank, N.V." before the word "herein" and by deleting the words "Original Loan Participant" and substituting therefor the words "Original Loan Participants". The parenthetical in clause (ii) of the fourth whereas clause is amended by deleting it 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 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 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,"; and by renaming clauses (c), (d) and (e) in such parenthetical as clauses (d), (e) and (f), respectively. Renamed clause (d) 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 (iv) of the first sentence of Section 7(b)(3) of the Participation Agreement 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".

(e) Clause (vii) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trustee," after the words "Owner Trustee", and by inserting the words "or the Pass Through Trust Documents," after the words "Trust Agreement".

(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 (xii) of Section 7(b)(4) is amended by inserting the words ", Section 11 of the Refunding Agreement" after the word "hereof."

(i) Clause (xiii) of Section 7(b)(4) is amended by adding the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(j) 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 Certificates or otherwise under the Trust Indenture with respect to Premium Amount, if any, payable as a result of a redemption or purchase of the Certificates pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of the Lessee;".

(k) Section 7(b)(4)(xv) is amended by deleting the period at the end thereof and replacing it with a semicolon, followed by the word "and".

(l) A new Section 7(b)(4)(xvi) is hereby added and reads 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)."

(m) Section 7(b)(8) is amended by deleting the second sentence thereof.

(n) Section 7(c)(2)(iv) is amended by deleting the words "or pursuant to Section 2.04(i) of the Indenture"; and by deleting the word "2.16" and substituting the word "7.03" therefor.

(o) Section 7(c)(2)(v) is amended by deleting the word "2.16" and substituting the word "7.03" therefor.

(p) Clause (D) of Section 7(c)(2)(ix) is amended by deleting the words ", any Loan Participant".

(q) Section 7(c)(2)(x) is amended by deleting the words "any Loan Participant,".

(r) 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".

(s) Section 7(c)(2)(xiii) is amended by inserting the word "and" at the end thereof.

(t) Section 7(c)(2)(xiv) is amended by deleting the semicolon at the end thereof and inserting a period in its place.

(u) Section 7(c)(2)(xv) is amended by deleting it in its entirety and substituting therefor the following:

"(xv) [Intentionally Omitted]."

(v) Section 7(c)(2)(xvi) is amended by deleting it in its entirety and substituting therefor the following:

"(xvi) [Intentionally Omitted]."

(w) Section 7(c)(3) is amended by deleting the words ", 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" and by deleting the words "(other than any Loan Participant)".

(x) Section 7(c)(10) is amended by deleting the words ", 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".

(y) Section 7(c)(11) is amended by deleting the words "each Loan Participant," "any Loan Participant," and "such Loan Participant"; and by inserting the words "(but shall not include the Pass Through Trustee, any Loan Participant or any holder of a Pass Through Certificate)" between the words "Indenture Estate" and ", and any reference".

(z) Section 7(d) is amended by inserting the words "or any of the Pass Through Trust Documents" between the words "Operative Documents" and ".".

(aa) Section 7(g) is amended by deleting it in its entirety and substituting therefor the following:

"(g) [Intentionally Omitted]."

5. Amendments to 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 ", each Loan Participant and the Loan Trustee" after the words "with the Lessee"; by inserting the words "or in a manner adversely affecting the Loan Trustee or a Loan Participant without the prior written consent of the Loan Trustee," after the words "the Indenture

Trustee"; and by inserting the words "in the case of the Lessee," after the words "which consent". The second sentence of Section 9(d) is amended by inserting the words", each Loan Participant and the Loan Trustee" after the word "Lessee". The third sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent".

(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, premium, 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, premium, 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 this Participation Agreement or the Trust Indenture (and any exhibits or annexes thereto).

(g) 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 Certificate remains outstanding, the Lessee will not cause a change in registration unless such change is in compliance with such Section 7.02."

(h) Section 9(o) is amended by deleting it in its entirety and substituting therefor the following:

"(o) [Intentionally Omitted]."

(i) 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."

(j) Section 9(q) is amended by deleting it in its entirety and substituting therefor the following:

"(q) [Intentionally Omitted]."

(j) 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 to 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(s)" each time they appear.

8. Amendment to 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 (i) by deleting the definitions of "Applicable Jurisdiction", "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", "Proposed Treaty", "Short Period Loan" and "Short Period Rate", (ii) by inserting the following definitions in alphabetical order:

"Other Indentures" means and includes the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994, 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 1994 PTC Series AA), dated as of May 26, 1994, between Meridian Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee.

"Pass Through Trust Documents" means the Pass Through Trust Agreement and the Pass Through Trust Supplements.

"Section 20 Refinancing" means the refinancing under the Refunding Agreement."

and (iii) by deleting the definition of "Operative Documents" and replacing it with the following:

""Operative Documents" shall have the meaning set forth in the Lease.

(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 or the Pass Through Trustee, 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 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) Sections 17(a) and (b) are amended in their entirety to read as follows:

"(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 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) 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 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."

"(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 1.49620759% 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 2, 1991, 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 $1,947,948.23, 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 May 26, 1994, 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.

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) 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(e) of the Participation Agreement is amended by deleting it in its entirety.

(c) 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 Trustee or 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 1994 PTC Series AB).

EXHIBIT 4(c)(11)

PARTICIPATION AGREEMENT
(AA 1991 AF-2)

Dated as of June 25, 1991

between

AMERICAN AIRLINES, INC.,
as Lessee

WILMINGTON TRUST COMPANY,
as Owner Trustee

C&S/SOVRAN TRUST COMPANY (GEORGIA),
NATIONAL ASSOCIATION,
as Indenture Trustee

AT&T CREDIT CORPORATION,
as Owner Participant

and

BANQUE INDOSUEZ,
as Original Loan Participant

_____

One Boeing 757-223 Aircraft
N648AA

Leased to American Airlines, Inc.

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EXHIBIT XII Form of Transfer Agreement

PARTICIPATION AGREEMENT
(AA 1991 AF-2)

This PARTICIPATION AGREEMENT (AA 1991 AF-2), dated as of June 25, 1991, 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) C&S/SOVRAN TRUST COMPANY (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) BANQUE INDOSUEZ (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 757-223 aircraft bearing U.S. Registration Number N648AA and Manufacturer's Serial Number 24606, 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, immediately following the transfer by the Manufacturer 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 1991 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, the Trust Agreement and Indenture Supplement 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 1991 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, the Trust Agreement and Indenture Supplement 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 2.02 of the Trust Indenture, in the amounts and otherwise as provided in Section 2.02 of the Trust Indenture (a "Cer-

tificate", 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 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 1991 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 (ii) to execute and deliver a certain Lease Agreement (AA 1991 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, 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 $46,000,000 ("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. 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 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 applica-

ble 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 (with a copy to the Indenture Trustee and the Owner Trustee), not less than three Euro Business Days prior to the beginning of the applicable Interest Period, in the case of a LIBOR Loan or a Short Period Rate Loan utilizing a Short Period Rate determined as provided in clause (a) of the definition of Short Period Rate, 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 utilizing a Short Period Rate determined as provided in clause (b) of the definition of Short Period Rate, 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 tenth 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 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), to 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 1:00 P.M., New York City time, on the 3rd Business Day preceding the Delivery Date for the Aircraft, which notice shall specify the amount of Lessor's Cost for the Aircraft. On the Delivery Date specified in such notice, immediately prior to the payment specified in Section 2(b), the Owner Participant will make the amount of its Commitment available to the Owner Trustee, and, immediately prior to the payment specified in Section 2(b), 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 the Owner Participant or the Original Loan Participant (as the case may be) or waived by the Owner Participant or 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, Representations and Warranties. (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 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 such 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 such 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 2.02 of the Trust Inden-

ture, 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 full force and effect and copies thereof 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) the Purchase Agreement (with the exception that certain exhibits and supplements thereto need not be delivered to the Owner Participant or the Original Loan Participant);

(vi) the Purchase Agreement Assignment;

(vii) the Tax Indemnity Agreement (for the Owner Participant only);

(viii) 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 Manufacturer in favor of the Lessee and dated the Delivery Date (the "Manufacturer'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 in favor of the Lessee;

(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");

(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;

(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:

(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 any 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 and the FAA Bill of Sale with the Federal Aviation Administration) to the Aircraft, free and clear of Liens 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;

(iii) the Manufacturer'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 consolidated balance sheet of the Lessee and its consolidated subsidiaries as of December 31, 1990, and iii) no event has occurred and is continuing, or would result from the purchase, sale or lease of the Aircraft, 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.

(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 Winthrop, Stimson, Putnam & Roberts, 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 cor-

rectness 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 AVMARK, 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 January 10, 2013.

(V) The Original Loan Participant and the Owner Participant shall have received a certificate of an appraiser as to the fair market value of the Aircraft.

(W) All appropriate action required to have been taken 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, 1991, 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 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 Trust 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 the Owner 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 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 mean such postponed "Delivery Date"); provided that such postponed Delivery Date shall not be a date later than September 30, 1991. During such period, the Lessee shall have the right to find another leasing or financial institution to be substituted for the defaulting 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 defaulting 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 defaulting Participant, for all purposes of this Agreement, the Trust Agreement, the Trust Indenture, and the Lease and to have assumed all obligations of the defaulting 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 defaulting 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 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 September 30, 1991), 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.

(c) In the event of any postponement of the Delivery Date pursuant to Section 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(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 September 30, 1991.

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 or foreign governmental authority or agency, other than the registration and filings referred to in Section 7(a)(viii);

(iv) this Agreement constitutes, and each other Operative Document to which the Lessee is a party will, when executed, constitute, 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 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, 1989, 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, 1990, 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 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 Agree-

ment 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.

(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, any Loan Participant, the Indenture Trustee (in both its individual capacity and as Indenture Trustee), Credit (as defined in the Tax Indemnity Agree-

ment) and their respective successors and permitted assigns, direct and indirect corporate parents (except with respect to Credit), directors, officers, employees, agents and servants (the respective successors and permitted assigns, direct and indirect corporate parents (except with respect to Credit), directors, officers, employees, agents and servants of (a) the Owner Trustee, together with the Owner Trustee, (b) the Owner Participant, together with the Owner Participant, (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, 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) or (iv) 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 Indemnitee 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;

(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 Indemnitee or any of the Related Indemnitee Group (other than any gross negligence or willful misconduct imputed as a matter of law to such Indemnitee 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 Indemnitee or any of the Related Indemnitee Group with any of the terms of, or any misrepresentation by such Indemnitee or any of the Related Indemnitee Group contained in, this Participation Agreement or any other Operative Document to which such Indemnitee or any of the 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(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 a direct or indirect corporate parent of an Indemnitee, to the extent that such Claim is based on losses suffered by or any decline in the net worth of such Indemnitee (but only to the extent that such losses or such decline in net worth is caused by events for which such Indemnitee 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 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. 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 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. 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, 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 opinion of the independent counsel appointed by the Lessee or its insurers to conduct such proceedings, 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, the Lessee shall not under any circumstances be liable for the fees and expenses of more than one counsel for all Indemnitees except in the case specified in the proviso to the third sentence of this paragraph (6).

(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. 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. 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, reis-

suance, 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 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 or pursuant to Section 2.04(i) of 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 (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 a Tax Indemnitee;

(v) Taxes 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 a 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) 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 subpara-

graph (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 C&S/Sovran Trust Company (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 Indemnitee or any Tax Indemnitee related to such Tax Indemnitee 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 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 (it being understood that nothing in this paragraph (xv) shall impair the right of any

Loan Participant to an indemnity pursuant to 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 apari 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, 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 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 Au-thority 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(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 Author-ity 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 making of its Commitment, 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 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) to this Agreement. 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.

(g) Exercise of Right. The Owner Trustee agrees with the Lessee that it will exercise its rights

under Section 2.04(j) of the Trust Indenture solely at the Lessee's request and direction.

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 or (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.

(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 other than in a manner required or permitted by the Securities Act of 1933, as amended, and by the rules and regulations thereunder.

(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:

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(i) it 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" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Admin-istration thereunder, 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 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, when executed and delivered, will constitute 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 my 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 1991 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, the Trust 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 issued to it pursuant to the Trust Indenture are being acquired by it for its own account and for investment and are not being acquired with a view to any resale or distribution thereof, provided that such representation shall in no way limit the Original Loan Participant's right to 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 in accordance with all 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; 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. (g) 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) Winthrop, Stimson, Putnam & Roberts, 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, in-

cluding, without limitation, the fees and expenses of one (but only one) aircraft appraiser in respect of the appraisals 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, 1991. 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 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.

(d) Each of the Owner Participant and the 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 with respect to the Aircraft 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 (i) from any Loan Participant pursuant to Section 2.04 of the Trust 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 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.

(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 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, (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, 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 following conditions are met or are waived by the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders; (i) the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders 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, 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 acting under the direction of a Majority in Interest of Certificate Holders 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 acting under the direction of a Majority in Interest of Certificate Holders 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 acting under the direction of a Majority in Interest of Certificate Holders on or prior to the effective date of such change in registration); (B) the terms of the Lease and the Trust Indenture being legal, valid and binding and enforceable in such jurisdiction (subject to customary exceptions); and (C) there are no requirements that the Owner Participant and/or the Owner Trustee must meet to maintain the registration of the Aircraft and the validity and perfection of the Lien of the Trust Indenture under the laws of such jurisdiction (or, if such opinion cannot be given, such opinion shall detail such requirements); (ii) the Indenture Trustee acting under the direction of a Majority in Interest of Certificate Holders shall have received assurances reason-

ably satisfactory to it (x) that the insurance provisions of the Lease will have been complied with after giving effect to such change in registration and (y) as to the Owner Participant's and the Owner Trustee's agreement to meet the requirements, if any, referred to in Section 9(n)(i)(C) above or, if such requirements can be met by the Lessee, the Lessee's agreement to do so; and (iii) the Lessee shall have paid or made provision for the payment of all expenses of each Loan Participant and the Indenture Trustee 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 5 Business Days prior to January 1 of each year in which the Indenture shall be in effect, commencing on December 24, 1991, 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 Section 9(q) hereof and 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. 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 at any time (i) from the Delivery Date until January 30, 1992 and (ii) after July 30, 1994, provided that such sale, assignment, pledge or transfer is made in accordance with all 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 other than the Original Loan Participant or any Initial Transferee, which 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 with all 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) The Original Loan Participant and each Initial Transferee (as defined in the Trust Indenture) 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) notwithstanding any such participation, (i) the Original Loan Participant's or such Initial Transferee's, as applicable, obligations under the Operative Documents shall remain unchanged, (ii) the Original Loan Participant or such Initial Transferee, as applicable, shall remain solely responsible to the other parties to the Operative Documents for the performance of such obligations and (iii) the Original Loan Participant or such Initial Transferee, as applicable, shall remain the Holder of the Certificates, and the other parties to the Operative Documents shall continue to deal solely and directly with the Original Loan Participant or such Initial Transferee, as applicable, in connection with the Certificates and the Loan Participant's rights and obligations under the Operative Documents and (B) in the case of each such participation, such participation is made in accordance with all applicable laws to a Permitted Transferee. The liability of the Owner Trustee in respect of

increased costs, Break Amount and withholding taxes under Section 2.04, 2.17 or 2.18 of the Trust Indenture shall not, as a result of any participation granted by the Original Loan Participant or any Initial Transferee, exceed what would have been its liability thereunder if the Original Loan Participant or such Initial Transferee, as applicable, had not granted any such participation. The Original Loan Participant and each Initial Transferee 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 the Original Loan Participant or such Initial Transferee, as applicable, thereunder or in connection therewith and permitted to be disclosed by the Original Loan Participant or such Initial Transferee, as applicable; 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) C&S/Sovran Trust Company (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.

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 has 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 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 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 Winthrop, Stimson, Putnam & Roberts 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;

(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; and

(ix) the Lessee and the Indenture Trustee shall have received from the Original Loan Participant two copies of Internal Revenue Service Form 1001 executed by the Original Loan Participant.

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. 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 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 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 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 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, andthird, 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 1992, 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, as is necessary to maintain, for the 15-month period succeeding the date of such opinion, 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 security interests.

(D) The Lessee shall at all times maintain its corporate existence except as permitted by Section 13(E). 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.

(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 the 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.

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 simultane-

ously 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.

"Euro Business Day" shall mean any day in which normal dealings in dollar deposits in the London interbank market are carried on, but shall exclude any day on which commercial banks are authorized or

required by law, regulation or executive order to be closed in Paris, France.

"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.

"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.

"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 1 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 1 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 that (w) is organized under the laws of the United Kingdom, France, Germany or The Netherlands (each, an "Applicable Jurisdiction"), (x) 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, (y) in the case of a commercial banking institution that is organized under the laws of Germany, in addition would be entitled to such a complete exemption under the provisions of the Proposed Treaty 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 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, 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) 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 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.

"Proposed Treaty" shall mean the proposed income tax treaty between the United States and Germany signed in August 1989 and the accompanying protocol.

"Related Indemnitee Group" shall have the meaning set forth in Section 7(b) hereof.

"Short Period Rate Loan" shall have the meaning set forth in the Trust Indenture.

"Short Period Rate" 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 re-ferred to in the definition of the Owner Partici-pant'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 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 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.

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 $1,947,948.23 (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).

(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 indemnifies and holds 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 comparable 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 at any time the subsidiary of another Person, 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. 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 within two years after the Delivery Date 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 paragraph (c) have been or shall be satisfied.

SECTION 17. Optional Redemption of Certificates. (d) 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) 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 aggre-

gate 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) 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 Par-ticipant, 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.

(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.

(e) 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 of the Participation Agreement 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 10, 1991, 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 $1,947,948.23, 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 ad-justment 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) 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 Re-

financing 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 January 10, 2013; provided that the Special Purchase Price Percentage for the Special Purchase Option Date, as so adjusted, shall not be less than 51.8%. 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 January 10, 2013 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 AVMARK, Inc. or, if AVMARK, 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. (f) 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.

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: 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) 967-1234

AT&T CREDIT CORPORATION

By_____
Name:
Title:

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_____
Name:
Title:

Address: Rodney Square North
Wilmington, Delaware 19890
Attention: Corporate Trust
Administration
(AA 1991 AF-2)

Telex: 835437
Answerback: WILM TR
Facsimile: (302) 651-8464
Telephone: (302) 651-1000

C&S/SOVRAN TRUST COMPANY (GEORGIA),
NATIONAL ASSOCIATION, as Indenture
Trustee

By_____
Name:
Title:

Address: 33 North Avenue
Suite 700
Atlanta, Georgia 30308
Attention: Corporate Trust
Department
(AA 1991 AF-2)

Facsimile: (404) 897-3142
Telephone: (404) 897-3263

BANQUE INDOSUEZ

By_____
Name:
Title:

Address:

Telex:
Answerback:
Facsimile:
Telephone:

EXHIBIT M TO
REFUNDING AGREEMENT
4(c)(12)

AMENDMENT TO PARTICIPATION AGREEMENT

The Participation Agreement is amended as follows:

1. Amendment of First Paragraph and Recitals to the Participation Agreement. Clause (v) of the first paragraph is amended by inserting the words ", together with CREDIT NATIONAL" before the parenthetical and by deleting the words "Original Loan Participant" and substituting therefor the words "Original Loan Participants". The parenthetical in clause (ii) of the fourth whereas clause is amended by deleting it 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 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 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,"; and by renaming clauses (c), (d) and (e) in such parenthetical as clauses (d), (e) and (f), respectively. Renamed clause (d) 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 (iv) of the first sentence of Section 7(b)(3) of the Participation Agreement 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".

(e) Clause (vii) of Section 7(b)(4) is amended by inserting the words "or the Pass Through Trustee," after the words "Owner Trustee", and by inserting the words "or the Pass Through Trust Documents," after the words "Trust Agreement".

(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 (xii) of Section 7(b)(4) is amended by inserting the words ", Section 11 of the Refunding Agreement" after the word "hereof."

(i) Clause (xiii) of Section 7(b)(4) is amended by adding the words "or the Pass Through Trust Documents" after the words "Operative Documents".

(j) 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 Certificates or otherwise under the Trust Indenture with respect to Premium Amount, if any, payable as a result of a redemption or purchase of the Certificates pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of the Lessee;".

(k) Section 7(b)(4)(xv) is amended by deleting the period at the end thereof and replacing it with a semicolon, followed by the word "and".

(l) A new Section 7(b)(4)(xvi) is hereby added and reads 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)."

(m) Section 7(b)(8) is amended by deleting the second sentence thereof.

(n) Section 7(c)(2)(iv) is amended by deleting the words "or pursuant to Section 2.04(i) of the Indenture"; and by deleting the word "2.16" and substituting the word "7.03" therefor.

(o) Section 7(c)(2)(v) is amended by deleting the word "2.16" and substituting the word "7.03" therefor.

(p) Clause (D) of Section 7(c)(2)(ix) is amended by deleting the words ", any Loan Participant".

(q) Section 7(c)(2)(x) is amended by deleting the words "any Loan Participant,".

(r) 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".

(s) Section 7(c)(2)(xiii) is amended by inserting the word "and" at the end thereof.

(t) Section 7(c)(2)(xiv) is amended by deleting the semicolon at the end thereof and inserting a period in its place.

(u) Section 7(c)(2)(xv) is amended by deleting it in its entirety and substituting therefor the following:

"(xv) [Intentionally Omitted]."

(v) Section 7(c)(2)(xvi) is amended by deleting it in its entirety and substituting therefor the following:

"(xvi) [Intentionally Omitted]."

(w) Section 7(c)(3) is amended by deleting the words ", 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" and by deleting the words "(other than any Loan Participant)".

(x) Section 7(c)(10) is amended by deleting the words ", 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".

(y) Section 7(c)(11) is amended by deleting the words "each Loan Participant," "any Loan Participant," and "such Loan Participant"; and by inserting the words "(but shall not include the Pass Through Trustee, any Loan Participant or any holder of a Pass Through Certificate)" between the words "Indenture Estate" and ", and any reference".

(z) Section 7(d) is amended by inserting the words "or any of the Pass Through Trust Documents" between the words "Operative Documents" and ".".

(aa) Section 7(g) is amended by deleting it in its entirety and substituting therefor the following:

"(g) [Intentionally Omitted]."

5. Amendments to 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 ", each Loan Participant and the Loan Trustee" after the words "with the Lessee"; by inserting the words "or in a manner adversely affecting the Loan Trustee or a Loan Participant without the prior written

consent of the Loan Trustee," after the words "the Indenture Trustee"; and by inserting the words "in the case of the Lessee," after the words "which consent". The second sentence of Section 9(d) is amended by inserting the words", each Loan Participant and the Loan Trustee" after the word "Lessee". The third sentence of Section 9(d) is amended by inserting the words "in the case of the Lessee" after the words "which consent".

(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, premium, 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 Equip-

ment Note, a Pass Through Trustee or the Loan Trustee, directly or indirectly, to make payment on account of any amount payable as principal, premium, 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 this Participation Agreement or the Trust Indenture (and any exhibits or annexes thereto).

(g) 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 Certificate remains outstanding, the Lessee will not cause a change in registration unless such change is in compliance with such Section 7.02."

(h) Section 9(o) is amended by deleting it in its entirety and substituting therefor the following:

"(o) [Intentionally Omitted]."

(i) 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."

(j) Section 9(q) is amended by deleting it in its entirety and substituting therefor the following:

"(q) [Intentionally Omitted]."

(j) 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 to 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(s)" each time they appear.

8. Amendment to 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 (i) by deleting the definitions of "Applicable Jurisdiction", "Break Funding Gain", "Debt Rate", "Euro Business Day", "Interest Period", "LIBOR Loan", "LIBOR Rate", "Majority in Interest of Certificate Holders", "New York Business Day", "Permitted Transferee", "Proposed Treaty", "Short Period Rate Loan" and "Short Period Rate", (ii) by inserting the following definitions in alphabetical order:

"Other Indentures" means and includes the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994, 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 1994 PTC Series AA), dated as of May 26, 1994, between Meridian Trust Company, as Owner Trustee, and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee.

"Pass Through Trust Documents" means the Pass Through Trust Agreement and the Pass Through Trust Supplements.

"Section 20 Refinancing" means the refinancing under the Refunding Agreement."

and (iii) by deleting the definition of "Operative Documents" and replacing it with the following:

""Operative Documents" shall have the meaning set forth in the Lease.

(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 or the Pass Through Trustee, 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 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) Sections 17(a) and (b) are amended in their entirety to read as follows:

"(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 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) 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 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."

"(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 1.50426713% 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 10, 1991, 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 $1,947,948.23, 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 May 26, 1994, 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.

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) 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 Trustee or 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 1994 PTC Series AC).

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Exhibit 4(d)(6)

TRUST AGREEMENT

(AA 1992 MF-1)

Dated as of May 15, 1992

between

MISSION FUNDING EPSILON,

as the Owner Participant

and

MERIDIAN TRUST COMPANY,

as the Owner Trustee

_____

One Boeing 767-323ER Aircraft

N371AA

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TRUST AGREEMENT

This TRUST AGREEMENT (AA 1992 MF-1), dated as of May 15, 1992 between MISSION FUNDING EPSILON, a California corporation (together with its successors and permitted assigns, the "Owner Participant"), and MERIDIAN TRUST COMPANY, a Pennsylvania trust company, 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 have the meaning specified in the Participation Agreement.

"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.

"Indenture Event of Default" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Trustee" means First Security Bank of Utah, N.A., and each other Person that may from time to time be acting as indenture trustee under the Trust Indenture.

"Lease" means that certain Lease Agreement (AA 1992 MF-1), dated as of the date hereof, between the Owner Trustee and Lessee, relating to the Aircraft bearing United States registration number N371AA, 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 this Trust Agreement. 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.

"Majority in Interest of Owner Participants" at any time means the Owner Participant or Owner Participants holding at such time more than 50% of the Ownership Interests of all Owner Participants.

"Operative Documents" means each of this Trust Agreement, the Lease, each Lease Supplement, the Trust Indenture, each Trust Agreement and Indenture Supplement, the Purchase Agreement Assignment, the Participation Agreement, the Tax Indemnity Agreement, the Bills of Sale, the Certificates and the Rent Schedule.

"Ownership Interest" means, in the case of any Person, the percentage of any Person's undivided beneficial interest in the Trust Estate created by this Trust Agreement, which percentage shall be: (i) in the case of the original Owner Participant (A) so long as it shall be the sole Owner Participant, 100%, and (B) if it shall no longer be the sole Owner Participant, the percentage of such undivided interest in the Trust Estate which it shall not have transferred to any Subsequent Owner Participant; and (ii) in the case of any Subsequent Owner Participant, the percentage of such undivided interest in the Trust Estate specified in the agreement pursuant to which such Subsequent Owner Participant becomes an Owner Participant as provided in the definition of "Subsequent Owner Participant".

"Subsequent Owner Participant" means any Person to which the original Owner Participant or any transferee

from such Owner Participant shall have transferred at any time after the Delivery Date all or any part of the undivided right, title and interest originally held by such Owner Participant in the Trust Estate, provided that any such transfer: (i) shall be effected by a written agreement, in form and substance reasonably satisfactory to Meridian Trust Company (or the institution acting as successor Owner Trustee), among such transferee, the transferor and the Owner Trustee, which shall (A) specify the percentage of the Ownership Interest of such transferee so transferred to it and (B) provide that such transferee thereby becomes a party to, and beneficiary of, this Trust Agreement and an Owner Participant for all purposes hereof and that such transferee assumes all of the obligations of its transferor under this Trust Agreement to the extent of such transferee's Ownership Interest; and (ii) so long as the Lease shall be in effect or the Loan Certificates remain unpaid, such transferee and its transferor shall have complied with all of the terms of Section 16(c) of the Participant Agreement.

"Trust Agreement and Indenture Supplement" with respect to the Aircraft means an instrument supplementing this Trust Agreement and the Trust Indenture that 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, the Purchase Agreement, the Purchase Agreement Assignment and the other Operative Documents, 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) 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 not include any Excepted Property.

"Trust Indenture" means that certain Trust Indenture and Security Agreement (AA 1992 MF-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 Rent Schedule, the Certificates and any other agreements, instruments or documents, to which the Owner Trustee is a party in the respective forms thereof in which delivered from time to time by the Owner Participant to the Owner Trustee for execution and delivery and (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. (a) 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;

(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) issue to each Original Loan Participant one or more Certificates in respect of the Aircraft in the amounts and otherwise as provided in the Participation Agreement and the Trust Indenture;

(vi) execute and deliver the financing statements contemplated by Section 4(F) of the Participation Agreement;

(vii) make application to the Federal Aviation Administration for registration of the Aircraft in the name of the Owner Trustee;

(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 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, the taking of any such action in the presence of the Owner Participant

or its counsel to evidence conclusively the direction of the Owner Participant.

(b) 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:

(i) promptly after the delivery of the Aircraft to the Owner Trustee, cause the Aircraft to be leased to Lessee under the Lease; and

(ii) execute and deliver a Lease Supplement covering the Aircraft.

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 and each Original Loan Participant shall have made the full amount of their respective Commitments with respect to the Aircraft available to the Owner Trustee, in immediately available funds, in accordance with Section 1 of the Participation Agreement; and

(b) the terms and conditions of Section 4 of the Participation Agreement shall 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 10(b) of the Lease, subject to due compliance with

the terms of Section 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 10(a) or (b) of the Lease;

(c) in the case of a Replacement Airframe, make application to the Federal Aviation Administration (or the applicable governmental authority of any jurisdiction other than the United States of America in which the Replacement Airframe is to be registered in accordance with the terms of the Lease) 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 Indenture and release the Purchase Agreement and the Purchase Agreement Assignment (solely with respect to such replaced Airframe and Engines, if any, or En-

gine) 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 paragraph of Section 10(a) of the Lease or clauses (i) through (vii) of Section 10(b) of the Lease, 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 or until the Aircraft shall have been released from the lien created under the Trust Indenture pursuant to the terms thereof, all Basic Rent, Supplemental Rent, insurance proceeds (other than 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 shall upon receipt be paid over to the Indenture Trustee in the manner specified in the Trust Indenture 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 (i) from Lessee with respect to the Owner Trustee's fees or expenses, (ii) from the Owner Participant pursuant to Article VII or (iii) otherwise with respect to Excepted Property 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(c), 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 terminated 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 other Operative Documents to which it is a party 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 ratably to each Owner Participant in proportion to such Owner Participant's Ownership Interest.

(c) Certain Distributions to Lessee. After the Trust Indenture shall have been satisfied and discharged pursuant to Section 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, but is not made due to the occurrence and continuation of a Lease Event of Default (or Payment or Bankruptcy Default), shall be held and invested by the Owner Trustee pursuant to and in accordance with the Lease as further security for the obligations of Lessee under the Lease.

(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 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 and Break Amounts payable by Lessee as Supplemental Rent, if any, 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(c) 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 use its reasonable best efforts to 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 such Owner Participant by written notice, pay any and all amounts payable by the Owner Trustee hereunder to such Owner Participant either (i) by crediting, or causing the Indenture Trustee to credit, such amount or amounts to an account or accounts maintained by such Owner Participant with the Owner Trustee or 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 such Owner Participant at such address as such 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, the Owner Trustee shall give to the Owner Participant and Lessee prompt telephonic or telecopied 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 De-

fault or Indenture Event of Default as the Owner Trustee shall be directed in writing by a Majority in Interest of Owner Participants. 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 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 Department who has responsibility for, or familiarity with, the transactions contemplated hereunder, under the Participation Agreement and under the Trust Indenture or any Vice President in the Corporate Trust Administration Department 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 to which the Owner Trustee is a party, upon the written instructions at any time and from time to time of a Majority in Interest of Owner Participants, 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 (including entering into agreements referred to in clause (i) of the definition of Subsequent Owner Participant); (ii) take such action to preserve or protect the Trust Estate (including the discharge of any Liens) 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 a Majority in Interest of Owner Participants, the Owner Trustee shall not approve any such matter as satisfactory to it; (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 such terms as shall be set forth in such instructions or deliver the Aircraft to the Person designated in such instructions in accordance with such instructions; and (v) take or refrain from taking such other action or actions as may be specified in

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 a Majority in Interest of Owner Participants.

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 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 a Majority in Interest of Owner Participants shall have directed the Owner Trustee to take or refrain from taking any such action, each Owner Participant agrees to furnish such indemnity as shall be required (severally and ratably according to their respective Ownership Interests) and in addition (to the extent not otherwise paid pursuant to the Lease or the Participation Agreement) to pay (severally and ratably according to their respective Ownership Interests) the reasonable fees and charges of the Owner Trustee for the services performed or to be performed by it pursuant to such direction; provided, however, that in no event shall the Owner Trustee be entitled to any indemnification by the Owner Participant with respect to any failure by it to satisfy any obligations expressly undertaken by it in its individual capacity pursuant to the terms of the Operative Documents to which it is a party. 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 a Majority in Interest of Owner Participants 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 or any of the Operative Documents to which the Owner Trustee is a party 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 5.03 or 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 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 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 a Majority in Interest of Owner Participants pursuant to Section 5.01 or 5.02, but subject always to the provisions of and 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 a Majority in Interest of Owner Participants 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 and the Operative Documents to which the Owner Trustee is a party.

Section 6.02. Absence of Certain Duties. Except in accordance with written instructions furnished pursuant to Sections 5.01 and 5.02 and except as provided in, and without limiting the generality of, Sections 5.04 and 5.05 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 upon written request furnished by the Lessee take such 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 of America pursuant to Section 7 of the Lease, other applicable law, and 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, (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, assessed or levied against any part of the Trust Estate except as provided by Section 5.04 hereof, Section 9(c) of the Participation Agreement or Section 4.01(2) 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, VALUE, CONDITION, DESIGN, AIRWORTHINESS, WORKMANSHIP, 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 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 the Trust Agreement by the Owner Participant) the other 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 or 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 or 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 or the Indenture Trustee, as the case may be, certified by the Secretary or an Assistant Secretary of Lessee or 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 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 Section 4.01 hereof and the lien created by 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 to which it is a party. 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 and for causing to be prepared all income tax returns required to be filed with respect to the trust created hereby and shall execute and file such returns. The Owner Trustee, upon request and upon adequate assurance of reimbursement by the Owner Participant for its costs and expenses as-

sociated therewith, will furnish the Owner Participant with all such information as may be reasonably required from the Owner Trustee in connection with the preparation of such income tax returns. Upon request of the Owner Participant, the Owner Trustee will sign and file the trust's tax returns prepared by the Owner Participant.

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, suits, 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 other 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, nonacceptance, 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 to which the Owner Trustee is a party, 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 or (e) those arising under any circumstances or upon any terms where Lessee would not have been required to indemnify the Owner Trustee in its individual capacity pursuant to Sections 7(b) or 7(c) of the Participation Agreement (disregarding, for this purpose, those exclusions contained in Sections 7(b)(4) and 7(c)(2) of the Participation Agreement (including, without limitation, the exclusions contained in Sections 7(b)(4)(i) and 7(c)(2)(F) thereof relating to acts or events occurring after the termination of the Term of the Lease or after return of the Aircraft, or after the placement of the Aircraft in storage, or after the discharge of Lessee's obligations under the Lease and prior to the termination of the Trust Estate) arising or resulting from any action or inaction of the Owner Trustee in accordance with written instructions of a Majority in Interest of Owner Participants). 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. 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. To the extent that the

Owner Participant makes an indemnification or other payment to the Owner Trustee in its individual capacity under this Article VII or under Section 5.03 hereof or under Section 6.07 in circumstances where the Lessee was obligated to make payment to the Owner Trustee pursuant to Section 7(b)(3) of the Participation Agreement, or the Owner Trustee retains any moneys pursuant to clause first of Section 4.01(b) hereof in respect of a matter for which the Lessee was obligated as aforesaid, the Owner Participant shall be subrogated to any rights of the Owner Trustee in its individual capacity to the extent of such indemnification or other payment or retention, as the case may be, in respect of the matter as to which such indemnification or other payment or retention, as the case may be, was made, except that the Owner Participant shall not be entitled to be subrogated to any rights of the Owner Trustee in its individual capacity if such claim arises as a result of an event or occurrence with respect to which the Owner Participant would not have been entitled to indemnification under Section 7(b)(3) of the Participation Agreement by reason of an exclusion from indemnity under Section 7(b)(4)(iii) or 7(b)(4)(iv). The Owner Trustee in its individual capacity shall not make any claim for indemnification or other payment from the Owner Participant pursuant to this Section 7.01 or otherwise with respect to which Lessee has an obligation to indemnify or make payment to the Owner Trustee in its individual capacity under Section 7(b) of the Participation Agreement, unless and until the Owner Trustee in this individual capacity shall have first made demand upon Lessee (but only if and to the extent permitted by applicable law) for such indemnification.

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 other 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, a Majority in Interest of Owner Participants may at any time remove the Owner Trustee without cause by a notice in writing delivered to the Owner Trustee, the other Owner Participant, if any, 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, a Majority in Interest of Owner Participants may appoint a successor Owner Trustee by an instrument in writing. 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 of America or any state thereof 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 (in its individual capacity) 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 (in its individual capacity) shall be a party, or any corporation to which substantially all the corporate trust business of the Owner Trustee (in its individual capacity) may be transferred, shall, subject to the terms of Section 9.01(c), be the institution acting as 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 a Majority in Interest of Owner Participants, the Owner Trustee and each Owner Participant shall execute and deliver an agreement supplemental hereto and all other instruments and agreements necessary or proper to con-

stitute 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 of 1958, as amended) 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 or an Indenture 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 or under the Participation Agreement shall be exercised solely by the trust company 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 and any limitations thereon shall be conferred or imposed upon and exercised or performed by the trust company 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 trust company 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) a Majority in Interest of Owner Participants, at any time, by an instrument in writing may remove any such additional trustee. In the event that the Owner Participants 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 Participants; and the Owner Participants hereby appoint the Owner Trustee their agent and attorney-in-fact to act for them 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 a Majority in

Interest of Owner Participants, (i) the Owner Trustee, together with each 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 IX 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 the Indenture Trustee may agree to and as may be specified in such request; provided, however, that, without the prior written consent of each Owner Participant: (i) no such supplement, amendment or modification shall (A) modify any of the provisions of this Section 10.01, the definition of "Majority in Interest of Owner Participants" in Section 1.01 hereof or Article IV hereof, (B) reduce, modify or amend any indemnities in favor of any Owner Participant as set forth in Section 7(b) or 7(c) of the Participation Agreement, (C) reduce the amount or extend the time of Basic Rent, Supplemental Rent, Termination Value or Stipulated Loss Value as set forth in the Lease and (ii) no such supplement, amendment or modification shall require any Owner Participant to invest or advance funds or shall entail any additional personal liability or the surrender of any indemnification, claim or individual right on the part of any Owner Participant with respect to any agreement or obligation. 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 satisfied and discharged pursuant to Section 10.01 thereof or the Aircraft shall have been released from the Indenture Estate, 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 trust 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 satisfaction and 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 or (b) twenty-one years less one day after the death of the last survivor of the descendants living on the date of this Agreement of Joseph P. Kennedy, father of President John F. Kennedy, but if any such rights, privileges and options shall be or become valid under applicable law for a period subsequent to the twenty-first anniversary of the death of the last such survivor (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, otherwise this Trust Agreement and the trusts created hereby shall continue in full force and effect in accordance with the terms hereof.

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, any Engine or any interest there-

in, 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, such Engine or interest therein. 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 Sections 3.01, 3.04, 3.06 and 4.01, Article V, Article IX, Section 10.01, 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 35 North Sixth Street, Reading, Pennsylvania 19601, (ii) if to the Indenture Trustee, addressed to it at its office at 79 South Main Street, Salt Lake City Utah 84111, (iii) if to the Owner Participant or any Subsequent 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 the Original Owner Participant 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 upon receipt of such notice by such party.

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 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 Commonwealth of Pennsylvania, 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.

MERIDIAN TRUST COMPANY

By _____
Name:
Title:

MISSION FUNDING EPSILON

By _____
Name:
Title:

4(d)(7)

FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 MF-1)

(Redesignated AA 1994 PTC Series AA)

Dated as of May 26, 1994

between

MISSION FUNDING EPSILON,
as the Owner Participant

and

MERIDIAN TRUST COMPANY,
as the Owner Trustee

One Boeing 767-323ER Aircraft
N371AA

Leased to American Airlines, Inc.

4(d)(7)

FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 MF-1)

This FIRST AMENDMENT TO TRUST AGREEMENT (AA 1992 MF-1), dated as of May 26, 1994, between MISSION FUNDING EPSILON, a California corporation (the "Owner Participant") and MERIDIAN TRUST COMPANY, a Pennsylvania trust company 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"), Royal Bank of Canada and Credit Suisse, acting through its New York Branch (the "Original Loan Participants"), and First Security Bank of Utah, N.A., a national banking association, as Indenture Trustee (the "Indenture Trustee") entered into the Participation Agreement (AA 1992 MF-1), dated as of May 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 N371AA (the "Aircraft");

WHEREAS, the Owner Participant and the Owner Trustee entered into a Trust Agreement (AA 1992 MF-1), dated as of May 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 recorded by the FAA as an attachment to the Trust Indenture and Security Agreement (AA 1992 MF-1), dated as of May 15, 1992, relating to the Aircraft, together with other attachments thereto, on May 28, 1992, as one document, and assigned Conveyance No. U61707.

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the Loan Certificates as part of a refunding or refinancing operation, and 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

WHEREAS, in order to effect such refinancing, Lessee, the Owner Participant, the Owner Trustee, State Street Bank and Trust Company of Connecticut, National Association, as Pass Through Trustee, the Loan Participants, the Indenture Trustee and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, are entering into the Refunding Agreement, dated as of May 26, 1994, 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 in its entirety to read as follows:

"'Certificates' means the loan certificates issued to the Original Loan Participants, each substantially in the form set forth in Article II of the Original Indenture."

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.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association.

"Original Indenture" means the Trust Indenture and Security Agreement (AA 1992 MF-1), dated as of May 15, 1992, between the Owner Trustee and the Indenture Trustee, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 MF- 1), dated May 28, 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 1994 PTC Series AA), dated as of May 26, 1994, among Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Loan Participants, 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. AMENDMENT OF ARTICLE III OF THE TRUST AGREEMENT. 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 Refunding Agreement and the Amended and Restated Indenture (as defined in the Refunding Aggreement;

(ii) cancel the Certificates surrendered to it by the Loan Trustee; and

(iii) issue to 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 "Sections 4.01(2) 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. Clause (ii) of Section 10.01(a) of the Trust Agreement is hereby amended by deleting the words "Article IX of the Trust Indenture" and substituting therefor the words "Article 11 of the Trust Indenture".

SECTION 5. AMENDMENT OF ARTICLE XI TO THE TRUST AGREEMENT. Section 11.01 of the Trust Agreement is hereby amended by adding a new sentence at the end thereof to read as follows:

"Notwithstanding the foregoing, the trusts created hereby shall not be subject to revocation or termination by the Owner Participant prior to the payment in full of the Equipment Notes and all other indebtedness secured by the Trust Indenture and the final discharge of the Trust Indenture pursuant to Section 10.01 thereof."

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.

MERIDIAN TRUST COMPANY

By:_____
Name:
Title:

MISSION FUNDING EPSILON

By:_____
Name:
Title:

==========

Exhibit 4(d)(8)

TRUST AGREEMENT

(AA 1991 AF-1)

Dated as of June 25, 1991

between

AT&T CREDIT CORPORATION,

as the Owner Participant

and

WILMINGTON TRUST COMPANY,

as the Owner Trustee

_____

One Boeing 757-223 Aircraft
N647AM

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AF-1

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TRUST AGREEMENT

This TRUST AGREEMENT, dated as of June 25, 1991, 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.

"Indenture Event of Default" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Trustee" means C&S/Sovran Trust Company (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 1991 AF-1), dated as of the date hereof, between the Owner Trustee and Lessee, relating to the Aircraft bearing United States registration number N647AM, 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) 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 1991 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 Indenture 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, 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 1991 AF-1), (ii) if to the Indenture Trustee, addressed to it at its office at 33 North Avenue, Suite 700, Atlanta, Georgia 30302, Attention: Corporate Trust Department (AA 1991 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 _____
Name:
Title:

AT&T CREDIT CORPORATION

By _____
Name:
Title:

4(d)(9)

FIRST AMENDMENT TO TRUST AGREEMENT (AA 1991 AF-1)

(Redesignated AA 1994 PTC Series AB)

Dated as of May 26, 1994

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 757-223 Aircraft
N647AM

Leased to American Airlines, Inc.

FIRST AMENDMENT TO TRUST AGREEMENT (AA 1991 AF-1)

This FIRST AMENDMENT TO TRUST AGREEMENT (AA 1991 AF-1), dated as of May 26, 1994, 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"), Swiss Bank Corporation, New York Branch (the "Original Loan Participant"), and NationsBank of Georgia, National Association (formerly known as C&S/Sovran Trust Company (Georgia), National Association), a national banking association, as Indenture Trustee (the "Indenture Trustee"), entered into the Participation Agreement (AA 1991 AF-1), dated as of June 25, 1991 (such Participation Agreement being herein called the "Original Participation Agreement"), providing for the sale and lease of one Boeing 757-223 aircraft, bearing U.S. registration number N647AM (the "Aircraft");

WHEREAS, the Owner Participant and the Owner Trustee entered into a Trust Agreement (AA 1991 AF-1), dated as of June 25, 1991 (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 1991 AF-1), dated as of June 25, 1991, relating to the Aircraft, together with other attachments thereto, on July 2, 1991, as one document, and assigned Conveyance No. I48485;

WHEREAS, subsequent to the execution and delivery of the Original Participation Agreement and prior to the date hereof, the Original Loan Participant transferred a portion of its interest in the loan certificate issued to it pursuant to the Original Indenture to Westland/Utrecht

Hypotheekbank, N.V. ("Westland", and, together with the Original Loan Participant, the "Original Loan Participants"), and the Owner Trustee issued a replacement certificate to the Original Loan Participant and a certificate to Westland, each substantially in the form set forth in Article II of the Original Indenture (together, the "Certificates").

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

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 Loan Participants, the Indenture Trustee and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, are entering into the Refunding Agreement, dated as of May 26, 1994, 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 Participants."

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.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association.

"Original Indenture" means the Trust Indenture and Security Agreement (AA 1991 AF-1), dated as of June 25, 1991, between the Owner Trustee and the Indenture Trustee, as supplemented by Trust Agreement and Indenture Supplement No. 1 (1991 AF-1), dated July 2, 1991.

"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 1994 PTC Series AB), dated as of May 26, 1994, among the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Loan Participant, 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 Refunding Agreement and 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 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. 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:

Exhibit 4(d)(10)

TRUST AGREEMENT

(AA 1991 AF-2)

Dated as of June 25, 1991

between

AT&T CREDIT CORPORATION,

as the Owner Participant

and

WILMINGTON TRUST COMPANY,

as the Owner Trustee

_____

One Boeing 757-223 Aircraft
N648AA

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TRUST AGREEMENT

This TRUST AGREEMENT (AA 1991 AF-2), dated as of June 25, 1991, 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.

"Indenture Event of Default" has the meaning ascribed to such term in the Trust Indenture.

"Indenture Trustee" means Nations Bank 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 1991 AF-2), dated as of the date hereof, between the Owner Trustee and Lessee, relating to the Aircraft bearing United States registration number N648AA, 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) 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 1991 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 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 Indenture 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 1991 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 1991 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 _____
Name:
Title:

AT&T CREDIT CORPORATION

By _____
Name:
Title:

EXECUTION COPY

4(d)(11)

FIRST AMENDMENT TO TRUST AGREEMENT (AA 1991 AF-2)

(Redesignated AA 1994 PTC Series AC)

Dated as of May 26, 1994

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 757-223 Aircraft
N648AA

Leased to American Airlines, Inc.

Series AC

FIRST AMENDMENT TO TRUST AGREEMENT (AA 1991 AF-2)

This FIRST AMENDMENT TO TRUST AGREEMENT (AA 1991 AF-2), dated as of May 26, 1994, 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"), Banque Indosuez (the "Original Loan Participant"), and NationsBank of Georgia, National Association (formerly known as C&S/Sovran Trust Company (Georgia), National Association), a national banking association, as Indenture Trustee (the "Indenture Trustee"), entered into the Participation Agreement (AA 1991 AF-2), dated as of June 25, 1991 (such Participation Agreement being herein called the "Original Participation Agreement"), providing for the sale and lease of one Boeing 757-223 aircraft, bearing U.S. registration number N648AA (the "Aircraft");

WHEREAS, the Owner Participant and the Owner Trustee entered into a Trust Agreement (AA 1991 AF-2), dated as of June 25, 1991 (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 1991 AF-2), dated as of June 25, 1991, relating to the Aircraft, together with other attachments thereto, on July 10, 1991, as one document, and assigned Conveyance No. BB18867;

WHEREAS, subsequent to the execution and delivery of the Original Participation Agreement and prior to the date hereof, the Original Loan Participant transferred a portion of its interest in the loan certificate issued to it pursuant to the Original Indenture to Credit National (together with the Original Loan Participant, the "Original

Loan Participants"), and the Owner Trustee issued a replacement certificate to the Original Loan Participant and a certificate to Credit National, each substantially in the form set forth in Article II of the Original Indenture (together, the "Certificates").

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

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 Loan Participants, the Indenture Trustee and State Street Bank and Trust Company of Connecticut, National Association, as Loan Trustee, are entering into the Refunding Agreement, dated as of May 26, 1994, 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 Participants."

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.

"Loan Trustee" means State Street Bank and Trust Company of Connecticut, National Association.

"Original Indenture" means the Trust Indenture and Security Agreement (AA 1991 AF-2), dated as of June 25, 1991, between the Owner Trustee and the Indenture Trustee, as supplemented by Trust Agreement and Indenture Supplement No. 1 (1991 AF-2) dated July 10, 1991.

"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 1994 PTC Series AC), dated as of May 26, 1994, among the Lessee, the Owner Participant, the Owner Trustee, the Indenture Trustee, the Loan Participant, 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 Refunding Agreement and 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 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) with-

out 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. 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:

EXHIBIT 4(e)(7)

LEASE AGREEMENT
(AA 1992 MF-1)

Dated as of May 15, 1992

between

MERIDIAN 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

N371AA

CERTAIN OF THE RIGHT, TITLE AND INTEREST IN AND TO THIS LEASE AGREEMENT OF MERIDIAN TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 MF-1), DATED AS OF THE DATE HEREOF, BETWEEN MERIDIAN TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF FIRST SECURITY BANK OF UTAH, N.A., INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 MF-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 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 AGREEMENT MAY BE CREATED THROUGH THE TRANSFER OR POSSESSION OF ANY COUNTERPART HEREOF OTHER THAN THE ORIGINAL COUNTERPART. THE COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART SHALL BE THE COUNTERPART THAT CONTAINS THE RECEIPT THEREFOR EXECUTED BY FIRST SECURITY BANK OF UTAH,

N.A., AS INDENTURE TRUSTEE, ON THE SIGNATURE PAGES THEREOF. 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 MF-1)

This LEASE AGREEMENT (AA 1992 MF-1), dated as of May 15, 1992, between Meridian Trust Company, a Pennsyl- vania trust company, with its principal place of business at 35 North Sixth Street, Reading, Pennsylvania 19601, 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 successors and permitted 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 successors and permitted assigns ("Lessee").

W I T N E S S E T H :

Section 1. Definitions. (a) Unless the context otherwise requires, all capitalized terms used herein and not otherwise defined shall have the meanings set forth below for all purposes of this Agreement:

"Advance" shall have the meaning specified in Section 3(f) hereof.

"Affiliate" of any Person shall mean 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 shall mean 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" shall mean 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 Engines or Replacement Engines may from time to time be installed on such Airframe or may be installed on any other aircraft. The term "Aircraft" shall include any Replacement Aircraft.

"Airframe" shall mean (i) the Boeing 767-323ER aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N371AA and Manufacturer's Serial Number 25198, 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" shall mean (i) with respect to the Interim Period, a rate of interest equal to 4.8875% per annum, and (ii) with respect to the portion of the Term commencing on the Base Lease Commencement Date, a rate of inter- est of 9.04% per annum, in each case computed on the basis of a 360-day year of twelve 30-day months.

"Base Lease Commencement Date" shall mean November 26, 1992.

"Base Rate" shall mean 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 shall mean the rent payable for the Aircraft pursuant to Section 3(b) hereof, as the same may be adjusted pursuant to Section 3(e) hereof or, during any Renewal Term or Extension Period, the rent payable for the Aircraft pursuant to Section 20(a) hereof.

"Bills of Sale" shall have the meaning set forth in the Participation Agreement.

"Break Amount" shall have the meaning set forth in the Trust Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banking institutions are authorized or required by law, regulation or executive order to be closed in New York, New York,

Dallas, Texas, Irvine, California, 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 the LIBOR Rate (as defined in the Trust Indenture), "Business Day" shall also exclude days in which normal dealings in Dollar deposits in the London interbank market are not carried on.

"Casualty Loss Determination Date", with respect to any Loss Payment Date on which Stipulated Loss Value is payable with respect to the Aircraft, shall mean the date specified in Exhibit B to the Rent Schedule next preceding such Loss Payment Date (or, if such Loss Payment Date is the same as a date specified in such Exhibit B, such date).

"Certificate" shall have the meaning set forth in the Trust Indenture.

"Claim" and "Claims" shall mean, other than for purposes of Section 7(b) of the Participation Agreement, any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements, including reasonable legal fees and expenses, of whatsoever kind and nature, including, but not limited to, those arising by reason of negligence, strict or absolute liability and liability in tort.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Deferred Equity Advance" shall have the meaning specified in Section 3(f).

"Deferred Equity Amount" shall have the meaning set forth in the Participation Agreement.

"Delivery Date" shall mean 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" shall mean (i) each of the two General Electric CF6-80C2B6 engines originally installed on the Airframe on delivery thereof and listed by manufacturer's serial numbers in the Lease Supplement relating to the

Airframe whether or not from time to time thereafter 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) hereof for an Engine leased hereunder; together in each case with any and all Parts incorporated or installed in or attached thereto and 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 or Replacement 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" shall mean, as of any date of determination, all Engines then leased hereunder.

"Event of Default" shall have the meaning specified in Section 14 hereof.

"Event of Loss" with respect to any property shall mean 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 and, in the case of theft or disappearance, the continuation thereof for a period of not less than 180 days (or, if earlier, the end of the Term or any Renewal Term then in effect); (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 a requisition for use (x) by the government of the United States which shall not have resulted in a loss of possession of the Aircraft for a period extending beyond the end of the Term or any Renewal Term then in effect, or, at Lessee's option, more than one year beyond the end of the Term or any Renewal Term then in effect, provided that if at the end of the Extension Period the Aircraft cannot be returned subject to the same terms and conditions as required at the end of the Term, such inability on such date shall constitute an Event of Loss, (y) by a Government (other than the government of the United States) which shall not have resulted in a loss of possession of the Aircraft for a period extending beyond the end of the Term or any Renewal Term then in effect or (z) by the

government (other than a Government) of the country of registry of the Aircraft or any instrumentality or agency thereof which bears the full faith and credit of such government, which shall not have resulted in a loss of possession of the Aircraft for a period in excess of 180 consecutive days, or, if earlier, for a period extending beyond the end of the Term or any Renewal Term then in effect); (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 having jurisdiction, or, if the Aircraft is registered outside the United States, any governmental body of 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 (or, if earlier, for a period extending beyond the end of the Term or any Renewal Term then in effect), 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, if earlier, for a period extending beyond the end of the Term or any Renewal Term then in effect); or (v) the operation or location of the Aircraft, while under requisition for use by the Government or government of the country of registry of the Aircraft, in any area excluded from coverage by any insurance policy in effect with respect to the Aircraft required by the terms of Section 11, if Lessee shall be unable to obtain indemnity in lieu thereof from such Government or government; provided that if, prior to the earliest of the Loss Payment Date, the date on which notice of payment of the Certificates is given pursuant to Section 2.14 of the Trust Indenture, and the twenty-third anniversary of the Base Lease Commencement Date, such property shall be returned to Lessee either in the condition required by the terms hereof, or capable of being brought into such condition, and if Lessee diligently proceeds to bring such property into such condition, then such event shall, at the option of Lessee, not constitute an Event of Loss, unless Lessee shall have failed to bring such property into such condition by the 270th day following such return, whereupon such failure to bring such property into such condition by such date shall constitute 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" shall have the meaning set forth in the Trust Indenture.

"Extension Period" shall have the meaning set forth in Section 10(d) hereof.

"Federal Aviation Act" shall mean the Federal Aviation Act of 1958, as amended.

"Government" shall mean the government of any of the United States, Canada, France, the Federal Republic of Germany, Japan, The Netherlands, Sweden, Switzerland and the United Kingdom and any instrumentality or agency of any thereof whose obligations bear the full faith and credit of the applicable government listed above.

"Indenture Default" shall have the meaning set forth in the Trust Indenture.

"Indenture Estate" shall have the meaning set forth in the Trust Indenture.

"Indenture Trustee" shall mean First Security Bank of Utah, N.A., and each other Person which may from time to time be acting as indenture trustee under the Trust Indenture.

"Independent Appraisal" shall mean an appraisal mutually agreed to by two nationally-recognized indepen- dent 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; provided, further, that if Lessee shall fail to appoint an appraiser during any period when an Event of Default has occurred and is continuing, then the appraisal shall be that of the independent aircraft appraiser selected by Lessor. 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 In- dependent Appraisal undertaken pursuant to Section 15 shall be a physical appraisal, including an examination of all logs and records and valuing 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 Payment Amount" has the meaning set forth in the Participation Agreement.

"Interim Payment Differential Amount" has the meaning set forth in the Participation Agreement.

"Interim Period" shall mean 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", "Agreement", "this Agreement", "hereof", "hereby", "hereunder" and other like terms mean, unless the context requires otherwise, this Lease Agreement, including all annexes, schedules, exhibits, appendices, and supplements thereto, all as amended, modified or supplemented pursuant to the applicable provisions thereof.

"Lease Period" for the Aircraft shall mean (i) the Interim Period and (ii) each of forty-eight con- secutive 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" shall mean the Base Lease Commencement Date and each succeeding May 26 and November 26 to and including November 26, 2016; provided that during any Renewal Term the term "Lease Period Date" shall include each succeeding May 26 and November 26 during such Renewal Term.

"Lease Supplement" shall mean 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 or for any amendment hereto, and any other Lease Supplement entered into subsequent to the Delivery Date.

"Lessee" shall have the meaning set forth in the first paragraph hereof.

"Lessor" shall have the meaning set forth in the first paragraph hereof.

"Lessor's Cost" has the meaning set forth in the Rent Schedule.

"Lessor's Lien" shall mean any Lien on or with respect to the Airframe, any Engine or title thereto or any interest therein 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 the Operative Documents, 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 the Operative Documents or not permitted under the Operative Documents, 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 voluntary 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 8, 9, 10, 15 or 20 hereof; provided, however, that any Lien (other than a volitional Lien) which is attributable solely to Meridian Trust Company or the Owner Participant and would otherwise constitute a Lessor's Lien hereunder shall not constitute a Lessor's Lien hereunder so long as (1) the existence of such Lien poses no significant risk of a material reduction in the value of the Airframe or any Engine, (2) the existence of such Lien does not interfere in any way with the use or operation of the Aircraft by Lessee, (3) the existence of such Lien does not affect the priority or perfection of, or otherwise jeopardize, the Lien of the Trust Indenture, and (4) Meridian Trust Company or the Owner Participant, as the case may be, is diligently contesting such Lien by appropriate proceedings.

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

"Loan Participant" shall mean each of the Original Loan Participants, so long as it is the holder of a Certificate, and any Permitted Transferee, so long as it is the holder of a Certificate.

"Loan Participant Liens" shall mean, with respect to any Loan Participant, Liens arising as a result of (i) claims against or affecting such Loan Participant not related to the transactions contemplated by the Operative Documents, (ii) acts or omissions of such Loan Participant not related to the transactions contemplated by the Operative Documents or not permitted under the Operative Documents or (iii) Taxes or Claims imposed against such Loan Participant which are not indemnified against by Lessee pursuant to the Participation Agreement.

"Loss Payment Date" shall have the meaning set forth in Section 10(a).

"Manufacturer" shall mean 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 sub- sidiary of the Manufacturer, and its successors and assigns.

"Operative Documents" shall mean this Lease, the Lease Supplement, the Trust Agreement, the Trust Inden- ture, the Participation Agreement, the Purchase Agreement Assignment, the Bills of Sale, the Certificates, the Rent Schedule, the Tax Indemnity Agreement and the Trust Agreement and Indenture Supplement.

"Original Loan Participant" shall mean each of Royal Bank of Canada and Credit Suisse, acting through its New York Branch.

"Overdue Rate" shall mean (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" shall mean Mission Funding Epsilon, a California corporation, and any other Person or Persons to which the Owner Participant transfers all or any portion of 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 successors and permitted assigns.

"Owner Participant's Net Economic Return" shall have the meaning set forth in Section 15 of the Participation Agreement.

"Owner Participant's Revised Net Economic Return" shall have the meaning set forth in Section 15 of the Participation Agreement.

"Owner Trustee" shall mean Meridian Trust Company, a Pennsylvania 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.

"Participants" shall mean the Owner Participant and the Loan Participants.

"Participation Agreement" shall mean the Participation Agreement (AA 1992 MF-1), dated as of the date hereof, among Lessee, the Original Loan Participants, 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" shall mean 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), 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, so long as title thereto remains vested in Lessor in accordance with Section 8.

"Payment or Bankruptcy Default" shall mean an event which, after notice or lapse of time or both, would constitute an Event of Default under Section 14(a), but only insofar as Section 14(a) relates to payments of Basic Rent or relates to payments of Supplemental Rent not then in dispute, 14(f), 14(g), 14(h) or 14(i).

"Permitted Air Carrier" shall have the meaning set forth in Section 7(b)(i) hereof.

"Permitted Investment" shall mean each of (i) direct obligations of the United States, and agencies thereof; (ii) obligations fully guaranteed by the United States; (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 or any state of the United States having combined capital and surplus and retained earnings of at least $500,000,000 (including Lessor in its individual capacity or the Indenture 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), (viii) or (ix); 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 Investor's 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) 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) or (ix); 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 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 (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 Investor's Ser- vice, Inc. (or, if neither such organization shall rate such obligations at such time, by any nationally recognized rating organization in the United States) 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 invest- ment 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 Investor's 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" shall mean Liens referred to in clauses (i) through (vii) of Section 6.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other legal entity.

"Purchase Agreement" shall mean the Purchase Agreement dated as of June 23, 1989, between the Manufac- turer 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 767-323ER aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented.

"Purchase Agreement Assignment" shall mean the Purchase Agreement Assignment (AA 1992 MF-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.

"Renewal Term" shall have the meaning set forth in Section 20(a) hereof.

"Renewal Term Rate" shall have the meaning set forth in the Rent Schedule.

"Rent" shall mean Basic Rent and Supplemental Rent, collectively.

"Rent Differential Amount" shall have the meaning set forth in Section 3(b) hereof.

"Rent Schedule" means the Rent Schedule, dated as of the date hereof, among Lessee, the Owner Partici- pant, 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" shall mean the Aircraft of which a Replacement Airframe is part.

"Replacement Airframe" shall mean a Boeing 767-323ER passenger aircraft or a comparable or an improved model of such aircraft of the Manufacturer (except Engines or engines from time to time installed thereon) which shall have been manufactured no earlier than 18 months prior to the Delivery Date and which shall have been leased hereunder pursuant to Section 10(a) hereof, together with all Parts relating to such aircraft.

"Replacement Engine" shall mean a General Electric CF6-80C2B6 engine (or an improved model of such engine of the same manufacturer or, with the consent of the Owner Participant (such consent not to be unreasonably denied) an engine of another manufacturer of a comparable or an improved model, and in any case suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine leased hereunder and having a value and utility at least equal to the replaced engine) which shall have been leased (or, in the case of Section 5(b), returned) hereunder pursuant to Section 5(b), 9(g), 10(a) or 10(b) hereof, together with all Parts relating to such engine.

"Responsible Officer" shall mean, 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, except for the purposes of the

first sentence of Section 9(a) hereof, any other management employee (a) working under the supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (b) whose responsibilities include the administration of the transactions and agreements, including this Agreement, contemplated by the Participation Agreement.

"Special Purchase Option Date" shall have the meaning set forth in Section 20(b) hereof.

"Special Purchase Price" shall have the meaning set forth in Section 20(b) hereof.

"Special Purchase Price Percentage" shall have the meaning set forth in the Rent Schedule.

"Special Termination Date" shall have the meaning set forth in the Rent Schedule.

"Special Termination Price" shall have the meaning set forth in Section 9(e) hereof.

"Stipulated Loss Value" payable with respect to an Event of Loss for the Aircraft shall mean (i) the amount determined by multiplying Lessor's Cost for the Aircraft by the percentage set forth in Exhibit B to the Rent Schedule opposite the Casualty Loss Determination Date in respect of the Loss Payment Date (or, if the Loss Payment Date occurs on a Casualty Loss Determination Date, by the percentage set forth opposite such Casualty Loss Determination Date), 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 (assuming that all scheduled payments of principal and interest have been paid when

due). 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. 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 circum- stances 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, is at least sufficient to pay in full 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 accor- dance with the terms hereof.

"Supplemental Rent" shall mean all amounts, liabilities and obligations (other than Basic Rent) which Lessee assumes or agrees to pay hereunder, under the Participation Agreement or under the Tax Indemnity Agreement to Lessor or others, including, without limitation, payments of Stipulated Loss Value, Termination Value and amounts calculated with reference thereto.

"Tax" and "Taxes" shall have the meanings set forth in Section 7(c) of the Participation Agreement.

"Tax Change" shall mean an amendment to, or change in, the Code or any other Federal tax statute or any regulation promulgated under any of the foregoing (or official interpretation of any of the foregoing), which is enacted or adopted after the execution and delivery of the Participation Agreement.

"Tax Indemnity Agreement" shall mean the Tax Indemnity Agreement (AA 1992 MF-1), dated as of the date hereof, between the Owner Participant and the Lessee.

"Term" shall mean the term for which the Aircraft is leased pursuant to Section 3(a) hereof and Section 3 of the Lease Supplement except that, during any Renewal Term, "Term" shall also mean such Renewal Term, as specified in Section 20(a) hereof.

"Termination Date" shall have the meaning set forth in Section 9(a) hereof.

"Termination Value" for the Aircraft as of any date of determination shall mean (i) the amount determined by multiplying Lessor's Cost for the Aircraft by the percentage set forth in Exhibit C to the Rent Schedule opposite the Termination Value Determination Date in respect of the Termination Date (or if the Termination Date occurs on a Termination Value Determination Date, by the percentage set forth opposite such Termination Value Determination Date), plus (ii) an amount equal to the interest accruing on the outstanding Certificates for the period from and including such Termination Value Determination Date to but excluding the Termination 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 Termination Value Determination Date to but excluding such Termination Date; provided that during any Renewal Term, "Termination 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 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 Termination Value Determination Date (assuming that all scheduled payments of principal and interest have been paid when due). 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. 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 ter- mination, be at least sufficient to pay in full as of any date of determination the aggregate unpaid principal of the outstanding Certificates, together with all unpaid interest thereon accrued to such date of determination.

"Termination Value Determination Date", with respect to any Termination Date on which Termination Value is payable with respect to the Aircraft, shall mean the date specified in Exhibit C to the Rent Schedule next preceding such Termination Date (or, if such Termination Date is the same as a date specified in such Exhibit C, such date).

"Transaction Costs" has the meaning set forth in Section 15 of the Participation Agreement.

"Trust Agreement" shall mean that certain Trust Agreement (AA 1992 MF-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 thereof.

"Trust Agreement and Indenture Supplement" shall mean 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" shall mean the Trust Indenture and Security Agreement (AA 1992 MF-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 pursuant to the applicable provisions thereof.

"Trustee's Liens" shall have the meaning specified in Section 5.04 of the Trust Indenture.

"United States" shall mean the United States of America.

(b) Definitions stated in Section 1(a) or elsewhere herein shall apply equally to both the singular and plural forms of the terms defined. Reference to any Operative Document shall be deemed to refer, in the case of such document, to such document as it may from time to time be modified, amended or supplemented as permitted by the terms thereof.

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 the Aircraft from Lessee under the Participation Agreement and simultaneously therewith 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. Lessee hereby agrees that such acceptance of delivery by such authorized representative or representa- tives on behalf of Lessor shall, without further act, irrevocably constitute acceptance by Lessee of the Aircraft for all purposes of this Lease. 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 1 year after the date of the acceptance of delivery of the Aircraft from Lessee under the Participation Agreement, as contemplated by Section 4(b) of the Tax Indemnity Agreement.

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 day prior to the twenty-fourth anniversary of the Base Lease Commencement Date.

(b) Basic Rent. Lessee hereby agrees to pay Lessor Basic Rent for the Aircraft throughout the Term in consecutive semi-annual installments payable on each Lease Period Date. Each such installment of Basic Rent in respect of the Aircraft shall be an amount equal to the amount determined by multiplying Lessor's Cost by the percentage set forth in Exhibit A to the Rent Schedule for the applicable Lease Period Date, as adjusted pursuant to the next paragraph.

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 the Rent Differential Amount (as defined herein). For purposes hereof, "Rent Differential Amount" shall mean, as of any Lease Period Date on which Basic Rent is payable with respect to the Term, the amount, if any, by which (i) the aggregate amount of interest actually due and payable on such Lease Period Date on the Certificates exceeds or is less than (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 or less 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 or decreased, as the case may be, by the Rent Differential Amount. Basic Rent payable hereunder shall also be increased by an amount equal to the accrued interest, if any, referred to in the second sentence of the second

paragraph of the form of Certificate contained in Section 2.01 of the Indenture.

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)), together with any Advance or Deferred Equity Advance made pursuant to Section 3(f) and 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 sufficient for Lessor to pay in full as of the due date of such installment any payment 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.

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 any event, within the relevant period as provided herein), and in the event of any failure on the part of Lessee to pay any Supplemental Rent when due, 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) subject to the final sentence of this paragraph (c), if any Break Amount is payable with respect to the Certificates pursuant to the Trust Indenture, as and when the same is payable by Lessor under the Trust Indenture, an amount equal to such Break Amount payable with respect to the Certificates and (iii) as and when the same are payable by Lessor, any amounts payable by the Lessor under Section 2.04 or 2.18 of the Trust Indenture, and 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). Notwithstanding anything to the contrary set forth in any Operative Document or any other document or instrument relating thereto, Lessee shall have no responsibility or

liability for any amounts payable to any Holder of a Certificate in respect of the Break Amount, if any, payable with respect to the Certificates of such Holder as a result of (i) a purchase of the Certificates pursuant to Section 2.13 of the Trust Indenture, (ii) an Indenture Default that does not also constitute an Event of Default or (iii) if an Indenture Default that is not an Event of Default shall have occurred, any deemed withdrawal of an election to purchase the Certificates pursuant to Section 2.13 of the Trust Indenture resulting from the curing of such Indenture Default.

(d) Payment to Lessor. All Rent shall be paid by Lessee to Lessor at its office at 35 North Sixth Street, Reading, Pennsylvania 19601, Attn: Corporate Trust Administration (AA 1992 MF-1), in funds consisting of lawful currency of the United States which shall be immediately available at such office of Lessor not later than 11:00 a.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 Lessee agrees, that all Rent (excluding Excepted Property) payable to Lessor and assigned to the Indenture Trustee pursuant to the Trust Indenture 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 79 South Main Street, Salt Lake City, Utah 84111, Attn: Corporate Trust Department (AA 1992 MF-1) or at such other location in the United States as the Indenture Trustee may otherwise direct. Payments in respect of Excepted Property shall be paid in the lawful currency of the United States in immediately available funds to the Person to whom payable at the payment address of such Person as specified in Schedule I to the Participation Agreement.

(e) Adjustments to Basic Rent, Stipulated Loss Value and Termination Value. In the event that (i) Transaction Costs are other 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 Tax Change and (B) after having been advised in writing by the Owner Participant of such Tax Change 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 refinancing or refunding as contemplated by Section 17 or Section 20 of the Participation Agreement

occurs, or (iv) the Delivery Date is other than May 28, 1992, or (v) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Interim Payment Amount (after adjustment for any Interim Payment Differential Amount) is other than $1,345,440.50, or (vi) any amount is paid by Lessee to the Owner Participant pursuant to the Tax Indemnity Agreement, or (vii) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, any Deferred Equity Amount is other than $3,275,000.00, then all payments of Basic Rent, Interim Payment Amount, Deferred Equity Amount, Stipulated Loss Values, Termination Values and Special Purchase Price Percentage (or, in the case of an event described in clause (vi) above, payments of Stipulated Loss Values, Termination Values and Special Purchase Price Percentage only) 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. 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 Option Date shall be recalculated in accordance with the provisions of Section 18 or Section 20, as applicable, of the Participation Agreement.

(f) Certain Advances; Reimbursement Thereof. (i) If and to the extent that the Indenture Trustee shall not have received by 1:00 p.m., New York City time, on or before the Base Lease Commencement Date the amount payable by the Owner Participant pursuant to Section 16(a)(i) of the Participation Agreement, Lessee shall advance to the Indenture Trustee on behalf of the Owner Participant on the Base Lease Commencement Date an amount equal to the Interim Payment Amount not so paid by the Owner Participant (the amount of such advance being herein called the "Advance"). In the event Lessee makes any Advance pursuant to this Section 3(f)(i) and is not reimbursed therefor by the Owner Participant as provided in Section 16(a)(i) of the Participation Agreement, Lessee shall be entitled to offset and deduct (without duplication) against each succeeding payment (other than as limited by the proviso to this sentence) due from Lessee to Persons other than the Loan Participants, the Indenture Trustee and Lessor in its individual capacity (including, without limitation, Basic Rent, payments due under Sections 5, 9, 10, 15 and 20 hereof, payments due under the Tax Indemnity Agreement and payments due to Persons other than the Loan Participant, the Indenture

Trustee and Lessor in its individual capacity under Section 7 of the Participation Agreement) the amounts (including interest) due and owing by the Owner Participant to Lessee from time to time under Section 16(a) of the Participation Agreement until Lessee has been fully reimbursed for such amounts (including interest at a rate per annum equal to the sum of 2% and the Base Rate); provided that, in no event shall any such offset or aggregate combined effect of separate offsets reduce the amount of any installment of Basic Rent to an amount that is insufficient 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)(i) to the contrary, Lessee's obligation to make the Advance shall terminate at such time as its obligation to pay Basic Rent terminates under this Lease.

(ii) If and to the extent that the Indenture Trustee shall not have received by 1:00 p.m., New York City time, on or before the Base Lease Commencement Date the amount payable by the Owner Participant pursuant to Section 16(a)(ii) of the Participation Agreement, Lessee shall advance to the Indenture Trustee on behalf of the Owner Participant on the Base Lease Commencement Date an amount equal to the Deferred Equity Amount not so paid by the Owner Participant (the amount of such advance being herein called the "Deferred Equity Advance"). In the event Lessee makes any Deferred Equity Advance pursuant to this Section 3(f)(ii) and is not reimbursed therefor by the Owner Participant as provided in Section 16(a)(ii) of the Participation Agreement, Lessee shall be entitled to offset and deduct (without duplication) against each succeeding payment (other than as limited by the proviso to this sentence) due from Lessee to Persons other than the Loan Participant, the Indenture Trustee and Lessor in its individual capacity (including, without limitation, Basic Rent, payments due under Sections 5, 9, 10, 15 and 20 hereof, payments due under the Tax Indemnity Agreement and payments due to Persons other than the Loan Participant, the Indenture Trustee and Lessor in its individual capacity under Section 7 of the Participation Agreement) the amounts (including interest) due and owing by the Owner Participant to Lessee from time to time under Section 16(a)(ii) of the Participation Agreement until Lessee has been fully reimbursed for such amounts (including interest at a rate per annum equal to the sum of 2% and the Base Rate); provided that, in no event shall any such offset or

aggregate combined effect of separate offsets reduce the amount of any installment of Basic Rent to an amount that is insufficient 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)(ii) to the contrary, Lessee's obligation to make the Deferred Equity Advance 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 Representa- tions, Warranties and Covenants. NEITHER LESSOR IN ITS INDIVIDUAL CAPACITY OR AS OWNER TRUSTEE NOR THE OWNER PARTICIPANT NOR ANY LOAN PARTICIPANT NOR THE INDENTURE TRUSTEE MAKES OR SHALL BE DEEMED TO HAVE MADE, AND EACH WILL BE DEEMED TO HAVE EXPRESSLY DISCLAIMED 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 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, AS TO THE ABSENCE OF OBLIGATIONS BASED ON STRICT LIABILITY IN TORT, OR ANY OTHER REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE AIRCRAFT OR ANY PART THEREOF, 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 was 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 (disregarding for this purpose the proviso to the definition thereof) 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 interfere with or interrupt the quiet enjoyment of the use, operation 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. Lessee agrees that it shall perform the agreements, covenants and indemnities of Lessee set forth in the Participation Agreement, all of which are hereby incorporated by reference with the same force and effect as set forth herein in full.

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 or as specified in Section 5(e) or 9, unless Lessee shall have exercised its option to purchase the Aircraft pursuant to Section 9(e), 20(b) or 20(c), and, except as otherwise provided in Section 9(b), 9(e), 10(a), 10(d), 20(b) or 20(c), Lessee will return the Aircraft by delivering the same, at its own expense (except as otherwise provided in this Section 5(a) and Section 5(d)), (x) to any location designated by the Owner Participant and reasonably satisfactory to Lessee, provided that if such location is not on Lessee's route system, the Owner Participant shall be responsible for Lessee's costs and expenses of fuel and crew and other flight related costs in connection with such off-route delivery to the extent such costs and expenses exceed the costs and expenses that would have been incurred by Lessee in delivering the Aircraft to the location specified in this clause (x), or (y) 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 other General Electric engines of an improved model suitable for installation and use on the Airframe and compatible for use on the Airframe with the other Engine or engine being returned hereunder) owned by Lessee, duly installed there- on. 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 as provided in the final sentence of this paragraph, 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 so provided, 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, subject to such sentence, in any case contemplated by the proviso to such sentence, shall be eligible for cer- tification as an airworthy aircraft by the Federal Aviation Administration, (ii) shall be free and clear of all Liens (other than Lessor's Liens), (iii) shall be in as good an 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 an operating condition as required by the terms hereof with respect to, Engines constituting part of the Aircraft but not then installed on the Airframe, (iv) shall have all Lessee's and any sublessee's exterior markings removed or painted over with the areas thereof refinished to match adjacent areas and (v) in the event that Lessee does not use a progressive maintenance program with respect to the Airframe or a condition-monitored maintenance program with respect to such Engines or engines, and Lessee adopts a block overhaul program with respect to the Airframe or a hard time engine shop visit or hard time module shop visit program with respect to such Engines or engines, or both, the Airframe shall have remaining until the next scheduled block overhaul at least 25% of the allowable hours between block overhauls permitted under the block overhaul program then used by Lessee and the aggregate number of hours of operation on all such Engines or engines remaining until the next hard time engine shop visit or hard time module shop visit shall be at least 3,000 hours and (B) such Aircraft shall, except as otherwise provided herein, be 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 and any other jurisdiction whose standards are then applicable to the Aircraft, provided that compliance with such foreign standards shall not be required to the extent that it is not possible for Lessee to comply with such standards because of a conflict with the applicable standards of the Federal Government of the United States. In the event that Lessee has adopted a block overhaul program with respect to the Airframe and does not meet the conditions set forth in subclause (v) of clause (A) of the immediately preceding sentence with respect thereto, Lessee shall pay Lessor a dollar amount computed by multiplying (i) 110% of Lessee's direct cost (during the preceding twelve months) of such block overhaul by (ii) a fraction of which (x) the numerator shall be the excess of 25% of the hours of operation between such block overhauls over the actual number of hours of operation remaining on the Airframe to the next block overhaul and (y) the denominator shall be the aggregate number of hours allowable between block overhauls in accordance with such block overhaul program. In the event that Lessee has adopted a hard time engine shop visit or hard time module shop visit 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) 110% of Lessee's direct cost (during the preceding twelve months) of such hard time engine shop visit or hard time module shop visit 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 in the aggregate for the Engines or engines on the Aircraft and the actual aggregate number of hours of operation remaining to the next hard time engine shop visit or hard time module shop visit for the Engines or engines on the Aircraft and (B) the denominator shall be the aggregate number of hours allowable between hard time engine shop visits or hard time module shop visits for such Engines or engines. At the time of such return, Lessee will (unless Lessor or the Owner Participant shall have requested Lessee 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 obligation to cause such registration (but not its obligation to return the Aircraft in such condition as would have made it eligible for certification as an airworthy aircraft had the Aircraft in fact been registrable at the time) 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) Lessee shall have provided to Lessor and the Owner Participant an opinion of counsel experienced in matters pertaining to such registration (which counsel may be special Oklahoma City counsel or other counsel reasonably acceptable to Lessor) that in the opinion of such counsel, such registration is prohibited by applicable law other than for the reason set forth in clause (x) and that such prohibition does not result from an act of failure to act on the part of Lessee or any sublessee of the Aircraft.

Any maintenance program used by Lessee for airframes operated by Lessee (including the Airframe) substantially similar to the maintenance program currently described in Lessee's FAA Part 121 Maintenance Program shall be considered a progressive maintenance program (and not a block overhaul program) and any engine maintenance program used by Lessee for engines operated by Lessee (including the

Engines) substantially similar to the program currently described in such FAA Part 121 Maintenance Program shall be considered a condition monitored maintenance program.

During the six months ending on the last day of the regularly scheduled Term (unless Lessee shall have elected to purchase the Aircraft or renew this Lease in accordance with the terms of this Lease), with reasonable notice, Lessee will cooperate, and will in any sublease in effect at such time require the sublessee to cooperate, at the Owner Participant's sole cost, expense and risk, in all reasonable respects with the efforts of Lessor to sell or lease the Aircraft, including without limitation, permitting purchasers or lessees that have committed to purchase the Aircraft subject to inspection and other customary closing conditions, to inspect the Aircraft, any records relating to the Aircraft then required to be retained by the Federal Aviation Administration or by the comparable government agency of the country in which the Aircraft is then registered and/or under the laws of which the Aircraft is then maintained and trend monitoring records such as flight monitoring and engine control systems data, all in accordance with Section 12 hereof, provided that any such cooperation shall not interfere with the normal operation or maintenance of the Aircraft by, or the business of, Lessee or any sublessee.

(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 (disregarding for this purpose the proviso to the definition thereof)) 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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) Fuels; 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. All such logs, records, manuals and data shall be in English.

(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 (x) free of charge except as provided below for the Aircraft for a period not exceeding 30 days and (y) at the Owner Participant's sole cost and expense for an additional period not to exceed 60 days after the initial 30 day period, at such location on Lessee's route system as shall be designated within 15 days of such request by Lessee; provided that the Owner Participant may request that the Aircraft be stored at any other location 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; provided further that the risk of loss of the Aircraft 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 the cost of insurance shall, in all cases, be for the account of the Owner Participant. In the event the Owner Participant, 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 the Owner Participant's expense, fly the Aircraft within such 30-day period to a reasonable location selected by the Owner Participant, for storage at the risk and expense of the Owner Participant, upon receipt of evidence of insurance coverage (reasonably satisfactory to Lessee), provided that (i) Lessee shall not be required to store the Air- craft 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 in the condition required by Section 5(a) shall constitute delivery of the Aircraft as required by said Section 5(a). Lessor or the Owner Participant, at its expense, may place such other insurance in such circumstances on the Aircraft as it may deem appropriate.

(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 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 30 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 60 days prior to the last day of the Term or such date, extend this Lease for a period not in excess of 30 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 the average annual Basic Rent payable during the Term (excluding the Interim Period) pursuant to the terms hereof for each day of such period and, in addition, Lessee shall pay to Lessor, in the case of clause (ii), damages incurred by Lessor as a result of the delayed return.

(f) Export Certificate of Airworthiness. Upon the written request of Lessor received a sufficient time prior to the end of the Term (and, in any event, not less than 60 days prior to the end of the Term), Lessee will, unless it shall have exercised its option to purchase the Aircraft under Section 9(e), 20(b) or 20(c), subject to the availability of maintenance and other appropriate personnel and facilities, use its best efforts to obtain or assist Lessor in obtaining an export certificate of airworthiness for the Aircraft from the Federal Aviation Administration or, if the Aircraft is then registered in any country other than the United States and the Lessor or the Owner Participant shall have requested that Lessee retain the existing registration of the Aircraft at the expiration of the Term in accordance with Section 5(a), the corresponding authority in the country of registry of the Aircraft; provided that (i) the Owner Participant shall reimburse

Lessee for Lessee's costs in connection therewith, (ii) Lessee shall not be under any obligation to maintain, service, repair, overhaul or test the Aircraft, or otherwise to perform any work or services in respect of the Aircraft, in connection therewith that is inconsistent with the maintenance program then applicable to the Aircraft, (iii) Lessee shall not be under any obligation to cause the Aircraft to satisfy the airworthiness or other relevant requirements of any country other than the United States or such country of registry in connection with the proposed export of the Aircraft, (iv) Lessee shall not be required for such purpose to interfere with the use, operation or maintenance of the Aircraft or the normal conduct of Lessee's business, and (v) Lessee shall not be required to undertake or incur any additional liabilities in connection therewith.

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, the Indenture Trustee and the Loan Participants 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 (disregarding for this purpose the proviso to the definition thereof), 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 ap- propriate proceedings so long as such proceedings do not involve any significant danger of the sale, forfeiture or loss of the Airframe or any Engine or any 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 significant 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 or any sublessee with respect to which an appeal or proceeding for

review is being prosecuted in good faith, so long as any such judgment or award does not involve any significant risk of the sale, forfeiture or loss of the Airframe or any Engine or any interest therein (unless Lessee or any sublessee shall have provided a bond or other security in an amount and under terms reasonably satisfactory to Lessor), 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 regis- tration 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. Not- withstanding the preceding sentence, but subject to the conditions and requirements of Sections 9(m) and 9(n) of the Participation Agreement, Lessee, at no expense or liability to Lessor, the Owner Participant, any Loan Participant or the Indenture Trustee, may cause the Aircraft to be duly registered under the laws of any jurisdiction 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 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 767-323ER aircraft and General Electric CF6-80C2B6 engines (or, at Lessee's option, in accordance with the aircraft maintenance standards for such

aircraft and engines approved by the central civil aviation authority of any of Canada, the Federal Republic of Germany, France, Japan, Switzerland, the United Kingdom or any other jurisdiction with aircraft maintenance standards that are, at the time that such standards become applicable to the Aircraft, substantially similar to those of the United States or substantially similar to those of any of the foregoing countries on the Delivery Date) 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 an operating condition as when delivered to Lessee hereunder, 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) under the Federal Aviation Act or, if the Aircraft is registered under the laws of any other jurisdiction, the laws of such jurisdiction;

(iii) maintain all records, logs and other materials in English and such other languages as are, from time to time, required by the appropriate authorities in the jurisdiction where the Aircraft is registered and maintained 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 government or 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 the 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 ap- plication of any such law, rule, regulation or order in any reasonable manner which does not materially adversely affect Lessor or involve a significant risk of the imposition of criminal liability on Lessor or the Owner Participant; and provided, further, that no such contest shall continue beyond the end of the Term or any Renewal Term. 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 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 reasonable judgment, threatened area of hostilities unless covered by war risk insurance of the type required to be maintained in Section 11, or unless the Aircraft is operated or used under contract with any Government, 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 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, in the case of a sublease described in clause (viii) or (ix) below, a Payment or Bankruptcy 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, and as to which there is in full force and effect an air carrier operating certificate issued pursuant to Part 121 of the regulations under such Act, 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 and which is principally based in and a domiciliary of either (A) a country listed in Exhibit B or B-1 hereto or (B) a country as to which Lessee has delivered an opinion to the effect specified in clause (y) of paragraph (ix) of this Section 7(b) with respect to such interchange agreement (mutatis mutandis) with such foreign air carrier (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, permits or requires or results in 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 or any instrumentality or agency thereof pursuant to a sublease, contract or other instrument a copy of which shall be furnished to Lessor and the Indenture Trustee; 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 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. Sec. 9511 et seq., or any substantially similar program);

(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, require or result in 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 if such installation shall adversely affect Lessor's interest in, or, so long as the lien of the Trust Indenture has not been discharged, the Indenture Trustee's interest in, such Engine, 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);

(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 irrevocably 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 that is listed in Exhibit B hereto, or (B) any foreign air carrier that is principally based in and a domiciliary of a country listed in Exhibit B-1 hereto, or (C) any foreign air carrier not described in clause (A) or (B) above, provided that (x) if the Owner Participant shall have delivered an opinion of counsel to the Owner Participant licensed in any country listed in Exhibit B-1,

such counsel to be reasonably satisfactory to Lessee, to the effect that an opinion as to the matters set forth in clause (y) below cannot be rendered with respect to such country and the reasons therefor, then such country shall be deemed deleted from Exhibit B-1 and (y) prior to any sublease to a foreign air carrier under clause (C) above, Lessor shall have received an opinion of counsel to Lessee licensed in the country in which the sublessee is domiciled and principally based, such counsel to be reasonably satisfactory to the Owner Participant and the Indenture Trustee, to the effect that (1) there exist no possessory rights in favor of the sublessee under the laws of such sublessee's country which would, upon bankruptcy or insolvency of or other default by Lessee and assuming that at such time such sublessee is not insol- vent or bankrupt, 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 hereof upon the exercise by Lessor of its remedies hereunder, (2) the remedies provided in the sublease are enforceable in the country in which such foreign air carrier is a domiciliary and prin- cipally based, to substantially the same extent as such remedies would be enforceable in the United States, and the sublease is subject and subordinate to the Lease, (3) 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 and (4) the proposed sublease will not give rise to 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 in the absence of such sublease (it being understood that, in the event the opinion set forth in this subclause (4) cannot be given in a form satisfactory to Lessor, the Owner Participant and Indenture Trustee, such opinion shall be waived if insurance reasonably satisfactory to Lessor, the Owner Participant and Indenture Trustee is provided by Lessee to cover the risk of such liability), and (z) in the case of any sublease to a foreign air carrier (other than a foreign air carrier principally based in and a domiciliary of Taiwan) the United States is maintaining normal diplo- matic relations with the country in which such foreign air carrier is principally based and domiciled at the time such sublease is entered into; and provided, further, that the term of any sublease

described in clause (A), (B) or (C) above (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 irrevocably 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 sublessee or other 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, Section 7(a) hereof and 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 and insurance of the Aircraft. No interchange agreement, pooling agreement, sublease or other relinquishment of possession of the Airframe or any Engine shall in any way discharge or diminish any of Lessee's obligations to Lessor hereunder. No sub-sublease of the Airframe or Engines shall be permitted except in connection with a transaction that involves such a sub-sublease commencing at the inception of the sublease and in which each sub-sublessee and sub-sublease satisfies the conditions contained in this Section 7(b) with respect to sublessees and subleases, respectively. Lessee shall not sublease the Airframe or any Engine to an air carrier that at the inception of the sublease is subject to bankruptcy or other insolvency proceedings unless the sublease shall have been approved by the United States Bankruptcy Court and payments thereunder shall have been accorded priority treatment in such

bankruptcy or other insolvency or, in the case of a sublease to a foreign air carrier, the sublease shall have been approved by the corresponding foreign authority and payments thereunder shall have been accorded priority treatment in such bankruptcy or other insolvency and the Owner Participant and the Indenture Trustee shall have received an opinion in form and substance reasonably satisfactory to the Owner Participant and the Indenture Trustee of Lessee's counsel to the effect that such approval provides Lessee with assurances and priority treatment substantially equivalent to those that would be provided by the corresponding United States Bankruptcy Court. Lessee shall, promptly (and in any event within 15 days) 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 Lessor, the Owner Participant and the Indenture Trustee upon request therefrom (with economic and financial provisions and information deleted therefrom if Lessee shall so choose), provided, that such parties shall keep confidential the identity of the sublessee and the existence and terms of such sublease, except that such parties may disclose such information (A) to committed (subject to receipt of such information and other customary closing conditions) transferees of Lessor's, the Owner Participant's or Indenture Trustee's interest who agree to hold such information confidential, (B) to Lessor's, the Owner Participant's or Indenture Trustee's counsel, independent insurance advisors or other agents who agree to hold such information confidential and (C) as may be required by any statute, court or administrative order or decree or governmental ruling or regulation. Lessor hereby agrees, for the benefit of the lessor or secured party of any airframe 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 on or prior to 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 "LEASED FROM MERIDIAN 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 "MORTGAGED TO FIRST SECURITY BANK OF UTAH, N.A., AS INDENTURE TRUSTEE" (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 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, which meet the requirements for replacement Parts specified above and title to which has vested in Lessor as provided in this Section 8(a) or Section 8(b). 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 such replacement Part shall thereupon vest in Lessor, free and clear of all Liens (except for Permitted Liens) and (ii) 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. Upon title to such replacement Part so vesting in Lessor, title to the replaced Part shall thereupon vest in Lessee, free and clear of all rights of Lessor or any Affiliate of Owner Participant, and such replaced Part shall no longer be deemed a Part hereunder.

(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 shall, at its expense, as promptly thereafter as practicable, either (i) cause title to such replacement Part to vest in Lessor in accordance with Section 8(a) by 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) replace 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). Upon title to such replacement Part vesting in Lessor, 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 Part originally incorporated or installed in or attached to the Airframe or such Engine, and title to the replaced Part shall vest in Lessee, free and clear of all rights of Lessor or any Affiliate of Owner Participant, and such replaced Part shall no longer be deemed a Part hereunder.

(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 materially adversely affect Lessor or the Owner Participant or involve a significant risk of the imposition of criminal liability on the Lessor or the Owner Participant; and provided, further, that no such contest by Lessee shall continue beyond the end of the Term or any Renewal Term. 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; provided that no such alteration, modification, addition or removal shall diminish the value or utility of the Airframe or such Engine, or impair the condition or airworthiness thereof, below the value, utility, condition and airworthiness thereof immediately prior to such alteration, modification, addition or re- moval 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 Parts which Lessee deems obsolete or no longer suitable or appropriate for use in the Airframe or any Engine which shall have been removed, if the aggregate original value of all such obsolete or unsuitable Parts removed from the Air- craft and not replaced during the Term shall not exceed $400,000. 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, so long as no Event of Default shall have occurred and be continuing, 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 Section 7 or the first sentence of this Section 8(c) other than the proviso thereto, 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 or unsuitable 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. 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 (or Payment or Bankruptcy Default) shall have occurred and be continuing, Lessee shall have the right, subject to the conditions set forth in this Section 9, at its option to terminate this Lease (i) at any time on or after the seventh anniversary of the Base Lease Commencement 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) on a Special Termination Date, in each case by delivering to Lessor and the Owner Participant a written notice of termination specifying a proposed date of termination (the "Termination Date") which shall be a Business Day occurring not earlier than 180 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 be effective, subject to the conditions set forth in this Section 9, on (A) 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), (B) 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 (C) 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 or the

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Owner Participant 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 or the Owner Participant shall fail to give notice pursuant to the immediately preceding sen- tence, 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 or the Owner Participant 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 that is 15 days prior to the Termination Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, on or before the 15th 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) or if this Lease is not terminated on a proposed Termination Date pursuant to this Section 9 as a result of a breach by Lessee of its obligations hereunder, Lessee will reimburse Lessor and the Owner Participant for any reasonable out-of-pocket expenses (including any reasonable brokers' fees) 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 or the Owner Participant, as the case may be, 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 solely by reason of Lessor's or the Owner Participant'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); provided that the foregoing shall not derogate from Lessee's obligations set forth in clause (1) of the

sixth sentence of this paragraph. If Lessee acts as such agent, Lessee shall, promptly upon receipt of any cash bid for the Aircraft notify Lessor and the Owner Participant in writing of the amount and terms of each such bid and the name and the address of the Person submitting each such bid. Lessor and the Owner Participant may also, at their expense (which expense, including without limitation any broker's or finder's fees or commissions, shall, subject to the penultimate sentence of paragraph (a) of this Section 9, be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor or the Owner Participant receives any such bid, Lessor or the Owner Participant, as the case may be, shall promptly notify Lessee in writing of the amount and terms of such bid and the name and address of the Person submitting such bid; provided that the foregoing shall not derogate from Lessee's obligations set forth in clause (1) of the sixth sentence of this paragraph. 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 by Lessor of all amounts owing to Lessor pursuant to the next sentence (other than amounts payable by Lessee), deliver the Aircraft at a location selected by Lessee to the Person who, prior to such date, 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 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 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 (i) any reasonable brokerage or finders' fee payable by Lessor or the Owner Participant, (ii) any other reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant, and (iii) any sale or

transfer taxes payable by Lessor or the Owner Participant in connection with such sale, and (2) all Supplemental Rent, other than Termination Value, due and owing on the Termination Date, and (3) 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 ad- vance). 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. Without the written consent of the Owner Participant, neither the Lessee nor any of its Affiliates may bid on the Aircraft in connection with a termination of this Lease pursuant to Sec- tion 9(a)(i).

(c) Certain Obligations upon Sale of Aircraft. Upon the sale of the Aircraft pursuant to and in accor- dance with the provisions of Section 9(b), Lessor will transfer to Lessee, without recourse or warranty (except as to the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 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); provided that nothing in this Section 9(c) shall derogate from Lessee's obligations set forth in clause (1) of the sixth sentence of 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 in funds of the type specified in Section 3(d), an amount equal to the aggregate outstanding principal amount of the Certificates and all accrued interest thereon, plus all other sums due and payable to the Indenture Trustee 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), all Supplemental Rent, 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), and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) under circumstances in which Lessee shall have fully performed its obligations hereunder with respect to such termination 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 upon any subsequent termination pursuant to this Section 9 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 be entitled to and shall have elected pursuant to the written notice referred to in the first sentence of Section 9(a) to terminate this Lease and purchase the Aircraft on a Special Termination Date, on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greatest of (i) the Termination Value for the Aircraft, computed as of the Special Termination Date, (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 and (iii) the sum of the present values, as of such Special Termination Date, of (x) Basic Rent (including any Rent Differential Amount required to reflect the actual interest rate then in effect on the Certificates) payable with respect to the period from such Special Termination Date to and including the twenty-fourth anniversary of the Base Lease Commencement Date and (y) the estimated fair market sales value of the Aircraft on the twenty-fourth anniversary of the Base Lease Commencement Date, as determined on such Special Termination Date by the Independent Appraisal (such present value calculation to utilize a discount rate equal to 13.5% per annum, compounded semi-annually). In such event, 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, other than Termination Value, due and owing on such Special Termination Date and all Basic Rent due and payable on or prior to the Special Termination Date and remaining unpaid (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of the Basic Rent installment due and payable on the Special Termination Date 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 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 or previously paid pursuant to this Lease 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 out- standing 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 (other than

payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 18 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. No termination of this Lease with respect to any Engine as contemplated by this Section 9(g) shall result in any reduction of Basic Rent.

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 or the Airframe and any Engines installed on the Airframe, Lessee shall forthwith (and, in any event, within 15 days after such occurrence) give Lessor and the Owner Participant written notice of such Event of Loss, specifying the date of such occurrence, 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 15 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 181st 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 the Owner Participant shall provide Lessee, within 30 days after receipt of written notice from Lessee of its election to perform the option set forth in this clause (i), an opinion of independent tax counsel selected by the Owner Participant and reasonably acceptable to Lessee to the effect that it is more likely than not that such conveyance will result in adverse Federal income tax consequences to the Owner Participant (which opinion shall also state whether there is a Realistic Possibility of Success (as defined in the Tax Indemnity Agreement) for the position that such conveyance will not result in adverse Federal income tax consequences to the Owner Participant), then Lessee shall be able to elect the option set forth in this clause (i) only if (A) in the event such opinion is to the effect that there is no such Realistic Possibility of Success, Lessee and the Owner Participant negotiate a mutually satisfactory compensation payment or (B) in the event such opinion is to the effect that there is such a Realistic Possibility of Success, Lessee shall indemnify the Owner Participant in a manner reasonably satisfactory to the Owner Participant against such adverse consequences; and provided, further, that if Lessee shall have elected to replace the Airframe and such Engines, but shall not have performed its obligation to effect such replacement under this clause (i) during the period of time provided herein, then Lessee shall pay on the fifth 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 Business Day next preceding the 181st day next following the date of occurrence of such Event of Loss or on the date specified in the second 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 Casualty Loss Determination Date, plus (B) all Supplemental Rent (other than Stipulated Loss Value) due and owing on such Loss Payment Date, including Break Amount, if any,

plus (C) if the Loss Payment 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 Loss Payment 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 Loss Payment Date shall terminate, (2) the obligation of Lessee to pay Supplemental Rent (other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 18 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 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 on the Airframe 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, and as a condition 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, a Federal Aviation Administration form 8050-2 bill of sale and a purchase agreement assignment substantially similar to that delivered on the Delivery Date containing manufacturer's warranties substantially similar to those assigned to Lessor on the Delivery Date, (B) cause a Lease Supplement substantially in the form of Exhibit A hereto, sub- jecting 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 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 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 in which such Replacement Aircraft and Replacement Engines, if any, are to be registered in accordance with Section 7(a), as the case may be, (D) cause a financing statement or statements (including a precautionary 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 (so long as the Trust Indenture shall not have been satisfied and discharged), or to protect the interest of Lessor in and to the Replacement Airframe and the Replacement Engine or Replacement Engines, if any, or, if necessary, 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), as the case may be, (E) furnish Lessor with an opinion of Lessee's counsel (which may be Lessee's General Counsel), to the effect that (i) 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 (ii) upon such conveyance such substituted property will be leased hereunder and subjected to the Lien of the Indenture, (F) furnish Lessor

with a certificate signed by a Responsible Officer of Lessee certifying that, upon consummation of such replacement, no Event of Default will exist hereunder, (G) 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 and that the Replacement Aircraft is a Boeing 767-323ER aircraft or a comparable or improved model of such aircraft which shall have been manufactured no earlier than 18 months prior to the Delivery Date, (H) furnish Lessor with 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 (I) 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, will 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 quali- fications 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 such other qualifications and assumptions as shall at the time be customary in opinions rendered in comparable circumstances. 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 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 as to the due registration of such Replacement Aircraft and the due recordation of such Lease Supplement and such Trust Agreement and Indenture Supplement and the validity and perfection of the interest of the Lessor in the Replacement Airframe and the Replacement Engine or the Replacement Engines, if any, and 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 (disregarding for this purpose the proviso to the definition thereof)), 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

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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, and as a condition to, any such conveyance, Lessee, at its own expense, will (i) furnish Lessor with a warranty (as to title) bill of sale (which warranty shall except Permitted Liens) in form and substance reasonably satisfactory to Lessor 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 in which the Aircraft is registered, (iii) 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 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 in which the Aircraft is or is to be registered in accordance with Section 7(a), as the case may be, (iv) furnish Lessor with an opinion of Lessee's counsel (which may be Lessee's General Counsel) to the effect that (i) 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 (ii) upon such conveyance such substituted property will be leased hereunder and subjected to the Lien of the Indenture, (v) furnish Lessor with a certificate of an independent aircraft appraiser 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) cause a financing statement or statements (including a precautionary 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 in the Replacement Engine created by or pursuant to the Trust Indenture (if then in effect) or to protect the rights and interests of Lessor in and to the Replacement Engine, 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 (disregarding for this purpose the proviso to the definition thereof)), 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, and 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) and amounts payable as Supplemental Rent in respect of the Break Amount and any interest, if any, in connection therewith, 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 any such Supplemental Rent, 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 any 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 which bears the full faith and credit of such Government or government) 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; provided, that in the event of a requisition for use by the government of the United States extending beyond the end of the Term or any Renewal Term then in effect, which requisition Lessee elects not to treat as an Event of Loss as of such end of the Term or Renewal Term, the Lease shall be extended for a period (the "Extension Period") not to exceed the shorter of (i) one year and (ii) 30 days beyond the period of such requisition, and during such Extension Period Lessee shall pay to Lessor the fair market rental value (without regard to the

requisition) determined during the period of 90 days prior to the end of the Term or Renewal Term, as determined by agreement between Lessee and Lessor or, in the absence of such agreement, by an Independent Appraisal. All such payments received by Lessor or Lessee from such Government or government for the use of the Airframe and Engines or engines during or, in the case of the Government of the United States, after the Term, shall be paid over to, or retained by, Lessee.

(e) Requisition for Use by the Government of an Engine. In the event of the requisition for use by any Government or the government of the country of registry of the Aircraft (including for this purpose any agency or instrumentality thereof which bears the full faith and credit of such Government or government) 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 this Sec- tion 10 which is payable to Lessee shall not be paid to Lessee, or if it has been previously paid to Lessee, shall not be retained by Lessee, if at the time of such payment an Event of Default or Payment or Bankruptcy Default 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 at such time as there shall not be continuing any such Event of Default or Payment or Bankruptcy Default, such amount shall be paid to Lessee, provided, that if any such amount has been so held by Lessor as security for more than 180 days after an Event of Default or Payment or Bankruptcy 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.

(g) Replacement Airframes and Replacement Engines. Section 5.06 of the Trust Indenture is hereby incorporated herein by reference, with the same force and effect as if such Section 5.06 were contained herein, and shall continue to be so incorporated herein and remain in

force and effect in the event no Certificates are outstanding and/or the Trust Indenture is terminated.

Section 11. Insurance. (a) Public Liability and Property Damage Insurance. Subject to the rights of Lessee 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, Lessee will carry, or cause to be carried, at no expense to Lessor, the Indenture Trustee or any Participant 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 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, 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, (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 each 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 substantial change is made in the coverage 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 any 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 none of Lessor, the Indenture Trustee or any 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 and (ii) any rights of subrogation against Lessor, the Indenture Trustee or 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 and that the exercise by such insurers of rights of subrogation derived from rights retained by Lessee will not delay payment of any claims that would otherwise be payable but for the exercise of such rights of subrogation, (F) shall be primary without right of contribution from any other insurance which may be carried by Lessor, the Indenture Trustee or any Participant

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with respect to its Interest 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 individual capacity, as Lessor, Owner Trustee (including in its individual capacity under the Participation Agreement), the Indenture Trustee or any 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 the Loan Par- ticipants) 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 fur- nished or disclosed by them to anyone other than their bank examiners, auditors, accountants, agents and legal counsel and any Person with whom any Participant is in good faith conducting negotiations relating to the possible transfer and sale of such Par- ticipant'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 re- quired 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 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 the Owner 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, political risk and allied perils insurance if and to the extent the same is maintained by Lessee or any Permitted Air Carrier subleasing the same with respect to other aircraft owned or operated by Lessee 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 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 con- dition 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 in excess of $10,000,000, up to the amount of Stipulated Loss Value, for any loss or damage to the

Aircraft (or Engines) 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, and that all other amounts shall be payable to Lessee unless the insurer shall have received notice that an Event of Default or Payment or Bankruptcy Default exists, in which case all insurance proceeds up to Stipulated Loss Value and Break Amounts payable by Lessee as Supplemental Rent, if any, 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 each 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 in- surance 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 any 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, political 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 provide that none of Lessor, the Indenture Trustee or any 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 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 shall be primary with- out 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 (F) shall provide that the insurers shall waive 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 insurers of rights of subrogation derived

from rights retained by Lessee shall not, in any way, delay payment of a claim that would otherwise be paid 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 may furnish such certification to the Loan Participants) 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 their bank examiners, auditors, accountants, agents and legal counsel and 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 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.

(c) Application of Insurance Payments. 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 and Break Amounts payable by Lessee as Supplemental Rent, if any, 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) and Break Amount payable by Lessee as Supplemental Rent, if any, 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 of any property damage loss received under policies maintained by Lessee in excess of the Stipulated Loss Value and Break Amounts payable by Lessee as Supplemental Rent, if any, for the Aircraft shall be paid to Lessee.

As between Lessor and Lessee the insurance payments of any property damage loss received under policies required to be maintained hereunder not constituting an Event of Loss with respect to the Airframe or an 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 Payment or Bankruptcy Default 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 at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, provided that if any such amount has been so held by Lessor as security for more than 90 days after such event or Event of Default shall have occurred and during which period Lessor shall not have exercised any remedy available to it under Section 15, then such amount shall be paid to Lessee, unless Lessor shall have been prohibited by operation of law or otherwise from exercising such remedies.

(d) 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 may furnish such reports to the Loan Participants) 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 their accountants, agents and legal counsel and any Person with whom such 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(d) 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.

(e) 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 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 provided further, that 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.

Section 12. Inspection. At all reasonable times during the Term, but upon at least 10 days' prior written notice to Lessee, Lessor and Indenture Trustee, or their authorized representatives may, subject to the last sentence of this Section 12, 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 in- spect the books and records of Lessee relating thereto; provided that (a) such representative shall be covered by such insurance as shall be customary in connection with risks of the type 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 their bank examiners, auditors, accountants, agents and

legal counsel and 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. 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. Upon receipt by Lessee of a written request from the Owner Participant specifying that the Owner Participant desires to have an authorized representative observe the next scheduled basic check to be performed on the Aircraft (or substantially equivalent successor type of maintenance work) scheduled to be performed on the Aircraft during the Term, Lessee shall cooperate with the Owner Participant to enable the Owner Participant's representative to observe the next scheduled basic check to be performed on the Aircraft during the Term, including reasonable advance notification to the Owner Participant of the time and place of such scheduled basic check; provided that the Owner Participant's authorized representative shall merely observe such scheduled basic check, shall not interfere with or extend in any manner the normal conduct or duration of the scheduled basic check, shall not be entitled to direct any of the work performed in connection with such scheduled basic check and shall in all respects be bound by the provisions of this Section 12 and Section 4(b). Any inspection or observation pursuant to this Section 12 shall be at the sole risk (including, without limitation, any risk of personal injury or death) and expense of the party (or the party whose representative shall be) making such inspection or observation.

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, the Trust Indenture or the Trust Agreement,

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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. 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 shall fail to make any other payment of Supplemental Rent within 20 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 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, political 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, political 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) the date such insurance is not in effect as to any of Lessor, the Indenture Trustee and 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 covenant, condition or agreement to be performed or observed by it hereunder or under the Participation Agreement (other than as provided in paragraphs (a), (b) and (c) of this Section 14), 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, no such failure shall constitute an Event of Default hereunder for such longer period (not to exceed 360 days) during which Lessee is diligently proceeding to remedy such failure; or

(e) any representation or warranty made by Lessee in this Lease or in the Participation Agreement 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, 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 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 undismissed, 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" as 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 as 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 (f), (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 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, 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 specifically 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, all Basic Rent due and payable on or prior to that date pursuant to Section 3(b) and remaining unpaid (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of the Basic Rent installment due and payable on such date designated in Exhibit A-1 to the Rent Schedule as being payable in advance), plus whichever of the following amounts Lessor, in its sole discretion, shall specify in such notice: (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 on the date of such notice; 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 (com- puted 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;

(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 to 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, all Basic Rent due and payable on or prior to that date pursuant to Section 3(b) and remaining unpaid (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of the Basic Rent installment due and payable on such date designated in Exhibit A-1 to the Rent Schedule as being payable in advance), 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; and/or

(e) Lessor may terminate or rescind this Lease, and/or may exercise any other right or remedy which may be available to it under applicable law or may 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, with- out duplication of any amounts payable hereunder, for any and all unpaid Rent (including, without limitation, any Break Amount) 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, there shall be deducted from each payment of Basic Rent becoming due after such return or surrender the net proceeds, if any, received by Lessor from leasing the Aircraft, the Airframe or any Engine to any Person other than the Lessee and provided further that, if Lessor does not within 365 days after the date of such return or surrender exercise its rights under paragraph (c) or paragraph (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 excess, if any, of (x) 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 over (y) any proceeds deducted from such payment of Basic Rent pursuant to the second preceding proviso; 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 the Holders of Certificates 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 or (y) an Indenture Default that does not also con- stitute 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 shall be as specified in an Independent Appraisal. At any sale of the Airframe or any Engine or Part pursuant to this Section 15, Lessor, the Indenture Trustee 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. Federal Bankruptcy Act. 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, 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 Lessee hereby acknowledges that the Lessor and the Indenture Trustee are entitled to the benefits of Section 1110 of the Bankruptcy Code of 1978, as amended, with respect to the Aircraft.

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, this Lease, the Trust Indenture and the Trust Agreement) to be duly filed and, except with respect to the Trust Agreement, 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, in recordable form, subjecting to this Lease 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. Lessee also agrees to furnish Lessor, the Indenture Trustee and the Owner Participant (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 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 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, to the effect that the signer has reviewed the relevant terms of the Participation Agreement and this Lease and has made, or caused to be made under his or her 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 con- stitutes an Event of Default or an event which, with the giving of notice or the passage of time, or both, would become 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 nonconfidential infor- mation 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, telemessage, telecopy, telefax, telex, cable or facsimile (confirmed by telephone or in writing in the case of notice by telegram, telemessage, telecopy, telefax, telex, 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, (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, Facsimile: (817) 967-4318, Telephone: (817) 967-1234 or to such other address as Lessee shall from time to time designate in writing to Lessor, (ii) if to Lessor, to 35 North Sixth Street, Reading, Pennsylvania 19601, Attn: Corporate Trust Administration (AA 1992 MF-1), Facsimile: (215) 320-1349, Telephone: (215) 320-1348, or at such other address as Lessor shall from time to time designate in

writing to Lessee, (iii) if to the Owner Participant or any 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 such Loan Participant shall from time to time designate in writing to Lessee and Lessor, and (iv) if to the Indenture Trustee, to 79 South Main Street, Salt Lake City, Utah 84111, Attn: Corporate Trust Department (AA 1992 MF-1), or such other address as the Indenture Trustee shall from time to time designate in writing to Lessor and Lessee.

Section 19. No Setoff, Counterclaim, Etc. This Lease is a net lease and Lessee's obligation to pay all Rent payable hereunder shall, except as otherwise provided in Section 3(f), 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 to pay to Lessor or to the Indenture Trustee, as the case may be, an amount equal to each Basic Rent and Supplemental Rent payment 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).

Section 20. Renewal Options; Purchase Options. (a) Renewal Options. Lessee shall have the right to extend this Lease with respect to the Aircraft for successive periods of one year each (each such period commencing at the end of the Term, being hereinafter referred to also as a "Renewal Term"). Such options to renew shall be exercised upon irrevocable written notice from Lessee to Lessor given when no Event of Default shall have occurred and be continuing and not less than 270 days prior to the commencement of the first day of each Renewal Term and if no Event of Default (or Payment or Bankruptcy 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 each of the first 2 Renewal Term(s), the lesser of (x) the Renewal Term Rate and (y) the fair market rental value for the Aircraft determined within 90 days after such notice of renewal 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 subsequent Renewal Term, the fair market rental value of the Aircraft determined within 90 days after such notice of renewal 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 November 26, 2008, 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 upon irrevocable 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 (or, in the case of Supplemental Rent which constitutes Excepted Property, to the Person entitled thereto), in funds of the type specified in Section 3(d), (1) an amount determined by multiplying Lessor's Cost by the Special Purchase Price Percentage (the "Special Purchase Price") (which is equal to the greater of the estimated fair market sales value of the Aircraft, taking into account the encumbrance of the Lease and the estimated fair market sales value of the Aircraft determined without regard to the encumbrance of the Lease, both as of the Special Purchase Option Date as set forth in the opinion received by the Owner Participant described in Section 4(U) of the Participation Agreement), pro- vided, however, and anything in this Section 20(b) to the contrary notwithstanding, in no event shall the Special Purchase Price be less than the principal of, and accrued interest on, the Certificates outstanding on the Special Purchase Option Date, plus (2) all Supplemental Rent due and owing on the 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 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 (assuming that all other payments of principal or interest on the Certificates have been paid) and (y) Lessor will transfer to Lessee, without recourse or warranty (except as to Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 of 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 upon written notice from Lessee to Lessor given not less than 270 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 (disregarding for this purpose the proviso to the definition thereof)) the Aircraft to Lessee, against payment by Lessee of the applicable purchase price 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 300 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 Holders of Certificates. In order to secure the indebted- ness 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. 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 and such failure can be cured with the payment of money, Lessor may, on behalf of Lessee and upon prior notice to Lessee, itself make such payment. The amount of any such payment and the amount of the reasonable expenses of Lessor incurred in connection with such payment 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 (or Payment or Bankruptcy Default) hereunder 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. So long as no Payment or Bankruptcy Default or Event of Default shall have occurred and be continuing, there shall 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 reasonable 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, the amount of any loss realized as the result of any such investment (together with any reasonable 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. Meridian 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 Meridian 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 Meridian Trust Company (or any such successor Owner Trustee) shall be personally liable hereunder for its own gross negligence or willful misconduct and for its breach of its covenants, representations and warranties contained herein, to the extent expressly covenanted or expressly 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 sublessee or transferee under a 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 sublessee or transferee, it being understood that this sentence is subject to the proviso immediately following clause (ix) of Section 7(b). The inclusion of specific references to obligations or rights of any such 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 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 21, 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 hereof prohibited or unenforceable in any respect. No term or provision of this Lease may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which the enforcement of the change, waiver, discharge or termination is sought. 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. 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. Except as otherwise provided in Section 3(b), 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. Lessee agrees that all Rent shall be paid by it from the United States.

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:

MERIDIAN TRUST COMPANY,
not in its individual capacity,
except as expressly stated herein,
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 AGREEMENT OF MERIDIAN TRUST COMPANY, AS OWNER TRUSTEE UNDER THE TRUST AGREEMENT (AA 1992 MF-1), DATED AS OF MAY 15, 1992, BETWEEN MERIDIAN TRUST COMPANY AND THE OWNER PARTICIPANT NAMED THEREIN, HAS BEEN ASSIGNED TO AND IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF FIRST SECURITY BANK OF UTAH, N.A., INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1992 MF-1), DATED AS OF MAY 15, 1992, 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. ONLY THAT COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THIS RECEIPT THEREFOR EXECUTED BY FIRST SECURITY BANK OF UTAH, N.A., 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 THIS EXECUTED ORIGINAL COUNTERPART. SEE SECTION 22 FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Receipt of this original counterpart of the foregoing Lease Agreement is hereby acknowledged on this _____ day of _____, 199_.

FIRST SECURITY BANK OF UTAH, N.A.

as Indenture Trustee

By _____
Name:
Title:

EXECUTION COPY
4(e)(8)

FIRST AMENDMENT TO

LEASE AGREEMENT (AA 1992 MF-1)

(Redesignated AA 1994 PTC Series AA)

Dated as of May 26, 1994

between

MERIDIAN 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
N371AA

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FIRST AMENDMENT TO LEASE
AGREEMENT (AA 1992 MF-1)
(REDESIGNATED AA 1994 PTC SERIES AA)

This FIRST AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Lease Amendment"), dated as of May 26, 1994, between MERIDIAN TRUST COMPANY, a Pennsylvania trust company, with its principal place of business at 35 North Sixth Street, Reading, Pennsylvania 19601, 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 MF-1), dated as of May 15, 1992, and its successors and assigns ("Lessor"), and AMERICAN AIRLINES, INC., a Delaware corporation with its principal place of business at Fort Worth, Texas 76155 "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"), Royal Bank of Canada and Credit Suisse, acting through its New York Branch (the "Original Loan Participants"), Lessor and First Security Bank of Utah, N.A., a national banking association (the "Indenture Trustee"), entered into that certain Participation Agreement (AA 1992 MF-1), dated as of May 15, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N371AA and Manufacturer's Serial Number 25198 (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 MF-1), dated as of May 15, 1992 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 MF-1), dated May 28, 1992, the "Original Indenture"), pursuant to which Lessor issued to the Original Loan Participants certificates substantially in the form set forth in Article II of such Original Indenture (the "Loan Certificates") as evidence of the loans then being made by such Original Loan Participants;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and

Lessee entered into a Lease Agreement (AA 1992 MF-1) relating to the Aircraft, dated as of May 15, 1992 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 MF-1), dated May 28, 1992, 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 May 28, 1992, and assigned Conveyance No. U61706;

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the 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 Lease contemplates the adjustment of Rent in the event of such a refunding or refinancing operation, and 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, the Loan Participants 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 May 26, 1994 (the "Instrument of Resignation"), pursuant to which the Indenture Trustee has resigned under the Original Indenture, and the Pass Through Trustee (as defined below), 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, the Loan Participants, State Street Bank and Trust Company of Connecticut, National Association, as Trustee (in such capacity, the "Pass Through Trustee") under five separate Pass Through Trust Supplements (entered into pursuant to the Pass Through Trust Agreement, Amended and Restated as of February 1, 1992, between 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 1994 PTC Series AA), dated as of the date hereof (the "Refunding Agreement"), and (iii) Lessor and Loan Trustee have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and

Security Agreement (AA 1994 PTC Series AA) (such amended and restated Indenture, the "Amended and Restated Indenture" or the "Indenture"); and

WHEREAS, in order to carry out the provisions of such written notice 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 "Rent Differential Amount."

(b) The definition of "Business Day" is amended by deleting the words "Dallas, Texas", by inserting the words "or the city and state in which the Loan Trustee disburses funds" after the words "Indenture Trustee is located" and by deleting the proviso thereof.

(c) The definition of "Certificate" is amended by inserting the words "provided that from and after the Refunding Date (as defined in the Refunding Agreement) "Certificate" shall mean and include any Equipment Note" between the words "Trust Indenture" and ".".

(d) The definition of "Event of Loss" is amended 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 Certificates relating to the occurrence of any such event".

(e) 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 ".".

(f) The definition of "Stipulated Loss Value" is amended by deleting the third and fourth sentences thereof.

(g) The definition of "Tax Indemnity Agreement" is amended by adding at the end thereof the phrase ", as the same may be amended from time to time".

(h) The definition of "Termination Value" is amended by deleting the third and fourth sentences thereof.

(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 "Loan Participant", "Operative Documents", "Overdue Rate", "Transaction Costs", "Trust Indenture" and "Indenture" contained in Section 1 of the Lease are amended to read as follows:

"Loan Participant" shall have the meaning specified in the Trust Indenture.

"Operative Documents" shall mean this Lease, the Rent Schedule, the Lease Supplement, the Bills of Sale, the Certificates, the Trust Agreement, the Trust Indenture, the Participation Agreement, the Refunding Agreement, the Purchase Agreement Assignment, the Tax Indemnity Agreement, the Instrument of Resignation and the Trust Agreement and Indenture Supplement.

"Overdue Rate" shall mean (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 rate of interest borne by the Certificates 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, the Owner Trustee in its individual capacity or the Loan 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.

"Transaction Costs" has the meaning set forth in Section 3(e) hereof.

"Trust Indenture" or "Indenture" shall mean the Trust Indenture and Security Agreement (AA 1992 MF-1),

dated as of May 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 1994 PTC Series AA), dated as of May 26, 1994, as the same may be further amended, modified or supplemented from time to time.

(k) The following definitions of "Average Certificate Rate", "Equipment Note", "Instrument of Resignation", "Loan Certificate", "Loan Trustee", "Outstanding", "Pass Through Certificates", "Pass Through Trust", "Pass Through Trust Agreement", "Pass Through Trust Supplement", "Pass Through Trustee", "Premium Amount", "Refunding Agreement" and "Termination Contract Date" shall be inserted in Section 1 of the Lease in alphabetical order:

"Average Certificate Rate" shall mean the weighted average interest rate applicable to the Certificates at the time outstanding, computed on the basis of a 360-day year of twelve 30-day months.

"Equipment Note" has the meaning specified in the Trust Indenture.

"Instrument of Resignation" shall mean the Instrument of Resignation, dated as of May 26, 1994, among Lessee, Lessor, the Indenture Trustee, the Original Loan Participants and State Street Bank and Trust Company, National Association, as successor Indenture Trustee.

"Loan Certificate" shall have the meaning set forth for the term "Certificate" herein.

"Loan Trustee" shall mean 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.

"Outstanding" or "outstanding", when used with respect to Certificates, has the meaning set forth in the Trust Indenture.

"Pass Through Certificates" shall mean any of the Pass Through Certificates issued pursuant to any of the Pass Through Trust Supplements.

"Pass Through Trust" shall mean each Pass Through Trust created pursuant to a Pass Through Trust Supplement.

"Pass Through Trust Agreement" shall mean 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 or amended pursuant to the applicable provisions thereof.

"Pass Through Trust Supplement" shall mean Pass Through Trust Supplement Nos. 1994-A1 through 1994-A5, each dated as of May 26, 1994, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as each may be modified or amended pursuant to the applicable provisions thereof.

"Pass Through Trustee" shall mean State Street Bank and Trust Company of Connecticut, National Association, a national banking association, in its capacity as Trustee under each Pass Through Trust Supplement, and each other person which may from time to time be acting as successor trustee under any such Pass Through Trust Supplement.

"Premium Amount" shall mean the Make-Whole Amount (as defined in the Trust Indenture), if any, payable pursuant to Section 6.01(b) of the Trust Indenture.

"Refunding Agreement" shall mean that certain Refunding Agreement (AA 1994 PTC Series AA) dated as of May 26, 1994, among Lessee, the Owner Participant, Lessor, the Pass Through Trustee under each Pass Through Trust Supplement, Royal Bank of Canada and Credit Suisse, acting through its New York Branch, as Original Loan Participants, the Indenture Trustee and the Loan Trustee, as such Refunding Agreement may from time to time be supplemented or amended pursuant to the applicable provisions thereof.

"Termination Contract Date" shall mean the thirtieth day preceding any Termination Date or, if

such day is not a Business Day, the next succeeding Business Day.

SECTION 2. GENERAL AMENDMENT TO THE LEASE. Every Section of the Lease in which the term "Break Amount" appears, except as otherwise amended hereby, is amended by deleting the term "Break Amount" each time it appears and substituting therefor the term "Premium Amount".

SECTION 3. AMENDMENT TO SECTION 3 OF THE LEASE. (a) Section 3(b) is amended by deleting the words ", as adjusted pursuant to the next paragraph" from the first paragraph 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 any event, within the relevant period as provided herein), and in the event of any failure on the part of Lessee to pay any Supplemental Rent when due, 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 and (ii) in the case of any redemption or purchase of Certificates requested or consented to by Lessee pursuant to Section 17 of the Participation Agreement, the Premium Amount, if any, payable pursuant to Section 6.01(b) 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 the Certificate Holders in respect of (x) Premium Amount, if any, payable thereon as a result of a redemption or purchase of the Certificates 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 "at the offices of the Indenture Trustee at 79 South Main Street, Salt Lake City, Utah 84111, Attention: Corporate Trust Department (AA 1992 MF-1)" and substituting therefor the words "to the account of the Loan Trustee at State Street Bank and Trust Company, Boston, Massachusetts".

(e) Section 3(e) of the Lease is amended in its entirety to read as follows:

"(e) Adjustments to Basic Rent, Stipulated Loss Value and Termination Value. In the event that (i) the expenses paid by the Owner Participant pursuant to Section 11 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) (the "Transaction Costs") are less or more than 1.46772034% of Lessor's Cost, or (ii) prior to the acceptance of the Aircraft on the Delivery Date: (A) there shall have occurred a Tax Change and (B) after having been advised in writing by the Owner Participant of such Tax Change 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 refinancing or refunding as contemplated by Section 17 of the Participation Agreement occurs, or (iv) the Delivery Date is other than May 28, 1992 or (v) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, the Interim Payment Amount referred to in Section 16(a) of the Participation Agreement (after adjustment for any Interim Payment Differential Amount referred to in such Section 16(a)) is other than $1,345,440.50, or (vi) any

amount is paid by Lessee to the Owner Participant pursuant to the Tax Indemnity Agreement, or (vii) if the Certificates are not refunded or refinanced on or prior to the Base Lease Commencement Date, any Deferred Equity Amount is other than $3,275,000, then all payments of Basic Rent, Stipulated Loss Values, Termination Values and Special Purchase Price Percentage (or, in the case of events described in clause (vi) above, all payments of Stipulated Loss Values, Termination Values and Special Purchase Price Percentage only) 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 of the Participation Agreement. In addition, in the event of a refunding or refinancing as contemplated by Section 17 of the Participation Agreement, the Special Purchase Option Date shall be recalculated in accordance with the provisions of Section 18 of the Participation Agreement."

SECTION 4. 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 5. 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) 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".

(c) Section 7(c) is amended by deleting the words "FIRST SECURITY BANK OF UTAH, N.A., AS INDENTURE TRUSTEE" and substituting therefor "STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION, AS LOAN TRUSTEE, MORTGAGEE"

SECTION 6. 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 (or Payment or Bankruptcy Default) shall have occurred and be continuing, Lessee shall have the right, subject to the conditions set forth in this Section 9, at its option to terminate this Lease (i) at any time on or after the seventh anniversary of the Base Lease Commencement 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) on a Special Termination Date, in each case by delivering to Lessor and the Owner Participant a written notice of termination specifying a proposed date of termination (the "Termination Date") which shall be a Business Day occurring not earlier than 180 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 be effective, subject to the conditions set forth in this Section 9, on (A) 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), (B) 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 (C) 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 or the Owner Participant shall give Lessee irrevocable notice of its election to sell or retain the Aircraft

no later than 30 days prior to the Termination Contract Date. In the event Lessor or the Owner Participant 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 Contract Date. Unless Lessor or the Owner Participant 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 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 Termination Contract Date, whereupon this Lease shall continue in full force and effect. In the event Lessee withdraws, on or before 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) or if this Lease is not terminated on a proposed Termination Date pursuant to this Section 9 as a result of a breach by Lessee of its obligations hereunder, Lessee will reimburse Lessor and the Owner Participant for any reasonable out-of-pocket expenses (including any reasonable brokers' fees) 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 or the Owner Participant, as the case may be, 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 solely by reason of Lessor's or the Owner Participant'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 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); provided that the foregoing shall not derogate from Lessee's obligations set forth in clause (1) of the sixth sentence of this paragraph. If Lessee acts as such agent, Lessee shall, promptly upon receipt of any cash bid for the Aircraft (but in no event later than 10 Business Days prior to the Termination Contract Date) notify Lessor and the Owner Participant in writing of the amount and terms of each such bid and the name and the address of the Person submitting each such bid. Lessor and the Owner Participant may also, at their expense (which expense, including without limitation any broker's or finder's fees or commissions, shall, subject to the penultimate sentence of paragraph (a) of this Section 9, be for the Owner Participant's own account), independently obtain cash bids for such purchase and, in the event Lessor or the Owner Participant receives any such bid, Lessor or the Owner Participant, as the case may be, shall promptly notify Lessee in writing of the amount and terms of such bid and the name and address of the Person submitting such bid; provided that the foregoing shall not derogate from Lessee's obligations set forth in clause (1) of the sixth sentence of this paragraph. On the Termination Date, (x) Lessee shall, subject to receipt by Lessor of all amounts owing to Lessor pur-

suant to the next sentence (other than amounts payable by Lessee), 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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, 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 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 (i) any reasonable brokerage or finders' fee payable by Lessor or the Owner Participant, (ii) any other reasonable out-of-pocket expenses incurred by Lessor and the Owner Participant, and (iii) any sale or transfer taxes payable by Lessor or the Owner Participant in connection with such sale, plus (2) that amount of interest that will accrue on the principal of all Outstanding Certificates 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, Premium Amount, if any), other than Termination Value, due and owing on the Termination Date, plus (4) 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). 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. Without the written consent of the Owner Participant, neither Lessee nor any of its Affiliates may bid on the Aircraft in connection with a termination of this Lease pursuant to Section 9(a)(i).

(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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 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); provided that nothing in this Section 9(c) shall derogate from

Lessee's obligations set forth in clause (1) of the sixth sentence of 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 Certificates and all accrued interest thereon, plus (2) that amount of interest that will accrue on the principal of all Outstanding Certificates 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 Indenture Trustee on such Termination Date under the Trust Indenture, the Participation Agreement or such Certificates. 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, Premium Amount, if any), 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), and (ii) Lessor (x) shall transfer or cause to be transferred to Lessee, without recourse or warranty (except as to the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 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 Lessor shall fail to perform any of its obligations pursuant to this Section 9(d) under circumstances in which Lessee shall have fully performed its obligations hereunder with respect to such termination 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 upon any subsequent termination pursuant to this Section 9 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 be entitled to and shall have elected pursuant to the written notice referred to in the first sentence of Section 9(a) to terminate this Lease and purchase the Aircraft on a Special Termination Date, on such Special Termination Date, Lessee shall purchase the Aircraft at a price (the "Special Termination Price") equal to the greatest of (i) the Termination Value for the Aircraft, computed as of such Special Termination Date, (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 and (iii) the sum of the present values, as of such Special Termination Date, of (x) Basic Rent payable with respect to the period from such Special Termination Date to and including the twenty-fourth anniversary of the Base Lease Commencement Date and (y) the estimated fair market sales value of the Aircraft on the twenty-fourth anniversary of the Base Lease Commencement Date, as determined on such Special Termination Date by the Independent Appraisal (such present value calculation to utilize a discount rate equal to 13.5% per annum, compounded semi-annually). In such event, 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, Premium Amount, if any), other than Termination Value, due and owing on such Special Termination Date and all Basic Rent due and payable on or prior to the Special

Termination Date and remaining unpaid (it being understood and agreed that Lessee shall not be required to pay the portion, if any, of the Basic Rent installment due and payable on the Special Termination Date 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 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 or previously paid pursuant to this Lease 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 such 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 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 the absence of Lessor's Liens (disregarding for this purpose the proviso to the definition thereof)), 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 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 (other than payments of Supplemental Rent to be made by Lessee (x) surviving pursuant to Section 7(d) of the Participation Agreement or Section 18 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. No termination of this Lease with respect to any Engine as contemplated by this Section 9(g) shall result in any reduction of Basic Rent."

SECTION 7. AMENDMENT TO SECTION 10 OF THE LEASE. (a) The first sentence of Section 10(a) is amended by inserting after the word "Lessor" the words ", the Loan Trustee".

(b) The second proviso to clause (i) of Section 10(a) of the Lease is amended in its entirety to read as follows:

"provided, further, 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 promptly give notice to Lessor and

the Loan Trustee, and shall pay on the Business Day next following the thirtieth day after 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 amount specified in clause (ii) below; or"

(c) Clause (ii) of Section 10(a) 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 Casualty Loss Determination Date, plus (B) all Supplemental Rent other than Stipulated Loss Value, due and owing on such Loss Payment Date plus (C) if the Loss Payment 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 Loss Payment Date and unpaid. As used herein, "Loss Payment Date" means the earlier of (x) the Business Day next following the 181st day next following the date of occurrence of the Event of Loss, and (y) 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 second 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" each time it appears.

(f) Clause (E) of the penultimate paragraph of Section 10(a) of the Lease is amended by inserting the words "and the Loan Trustee" after the word "Lessor" the first time it appears.

(g) Clauses (F) and (G) of the penultimate paragraph of Section 10(a) are each amended by inserting the words "and the Loan Trustee" after the word "Lessor".

(h) Clause (H) of the penultimate paragraph of Section 10(a) is amended by inserting the words "and the Loan Trustee" after the word "Lessor" the first time it appears and by inserting the words "or the Loan Trustee" after the word "Lessor" the second time it appears.

(i) The final sentence of the penultimate paragraph of Section 10(a) to the Lease is amended by deleting the word "an" before the words "opinion of counsel" and substituting therefor the words "a favorable".

(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 (v) of Section 10(b) of the Lease is amended by inserting the words "and the Loan Trustee" after the word "Lessor".

(l) 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.

(m) Clause (vii) of Section 10(b) of the Lease is amended by inserting the words "or the Loan Trustee" after the word "Lessor" the second time it appears.

(n) Clause (ii) of Section 10(c) of the Lease is amended by deleting the words "and amounts payable as Supplemental Rent in respect of the Break Amount and any interest, if any, in connection therewith".

(o) Section 10(g) is deleted in its entirety.

SECTION 8. AMENDMENT TO SECTION 11 OF THE LEASE. (a) Section 11 of the Lease is amended by deleting the words "each Participant" each time they appear and substituting therefor the words "the Pass Through Trustee

and the Owner Participant"; by deleting the words "each Participant's" each time they appear and substituting therefor the words "the Pass Through Trustee's and the Owner Participant's"; by deleting the words "any Participant" or "such Participant" each time they appear and substituting therefor the words "the Pass Through Trustee or the Owner Participant"; by deleting the words "any Participant's" or "such Participant's" each time they appear and substituting therefor the words "the Pass Through Trustee's or the Owner Participant's"; by deleting the words "Loan Participants" each time they and substituting therefor the words "Pass Through Trustee" and by deleting the words "and Break Amounts" each time they appear.

(b) Sections 11(b) and 11(c) of the Lease are each amended by deleting the words "and Break Amount payable by Lessee as Supplemental Rent, if any".

(c) Section 11(d) of the Lease is amended by inserting the words ", the Pass Through Trustee" between the words "Indenture Trustee" and "and the Owner Participant" each time they appear and by deleting the parenthetical phrase in the first sentence thereof.

SECTION 9. AMENDMENT TO SECTION 12 OF THE LEASE. The first two sentences of Section 12 of the Lease are amended in their entirety to read as follows:

"Section 12. Inspection. At all reasonable times during the Term, but upon at least 10 days' prior written notice to Lessee, Lessor, the Owner Participant, the Loan Trustee and the Pass Through Trustee, or their authorized representatives, may, subject to the last sentence of this Section 12, 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 representative shall be covered by such insurance as shall be customary in connection with risks of the type 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 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 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."

SECTION 10. AMENDMENT TO SECTION 14 OF THE LEASE. (a) Section 14(a) of the Lease is amended by inserting the words "(or any interest thereon)" after the words "Termination Value", and by deleting the word "20" and substituting therefor the word "15".

(b) Section 14(b) of the Lease is amended by inserting the words "the Loan Trustee or the Owner Participant" after the words "after receipt by Lessor".

(c) Section 14(d) of the Lease is amended by inserting the words "or the Loan Trustee" before the first semicolon.

(d) Sections 14(a) and (e) of the Lease are each amended by inserting the words "or the Loan Trustee" before the semicolon.

SECTION 11. 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 Agreement is amended by deleting the remainder of the sentence following the words "responsibility or liability" and substituting therefor the words "for any Premium Amount payable to the Certificate Holders as a result of a redemption of the Certificates

pursuant to Section 6.01(b)(2) of the Trust Indenture without the prior written consent of Lessee".

SECTION 12. AMENDMENT TO SECTION 18 OF THE LEASE. Clause (ii) of Section 18 of the Lease is amended by deleting the word "(215) 320-1348" and substituting therefor the word "(215) 655-1349"; and clause (iv) 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 20 OF THE LEASE. Section 20(b) of the Lease is amended by deleting the words "November 26, 2008" in the first sentence and substituting therefor the words "November 26, 2007"; and by deleting the words "Section 2.16" and substituting therefor the words "Section 7.03".

SECTION 14. 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 15. 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 16. RATIFICATION. Except as amended hereby, the Lease shall remain in full force and effect.

SECTION 17. MISCELLANEOUS. This Lease Amendment 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 Amendment including a signature page executed by each of the parties hereto shall be an original counterpart of this Lease Amendment, but all of such counterparts together shall constitute one instrument. THIS LEASE AMENDMENT 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. 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. This Lease Amendment is being delivered in the State of New York.

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

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

By:_____
Name:
Title:

LESSEE

AMERICAN AIRLINES, INC.

By:_____
Name:
Title:

Receipt of this original counterpart of the foregoing Lease Amendment is hereby acknowledged on this _____ day of May, 1994.

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL
ASSOCIATION, LOAN TRUSTEE

By:_____
Name:
Title:

Exhibit 4(e)(9)

LEASE AGREEMENT
(AA 1991 AF-1)

Dated as of June 25, 1991

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 757-223 Aircraft

N647AM

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 1991 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 C&S/SOVRAN TRUST COMPANY (GEORGIA), NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1991 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 C&S/SOVRAN TRUST COMPANY (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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Exhibit A - Form of Lease Supplement
Exhibit B - List of Permitted Countries

LEASE AGREEMENT
(AA 1991 AF-1)

This LEASE AGREEMENT (AA 1991 AF-1), dated as of June 25, 1991, 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 757-223 aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N647AM and Manufacturer's Serial Number 24605, 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 10.5% per annum, payable January 2, 1992, and semiannually thereafter, computed on the basis of a 360-day year of twelve 30-day months.

"Base Lease Commencement Date" means January 2, 1992.

"Base Lease Expiration Date" means July 2, 2016.

"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 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 in 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 reasonable 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 Rolls-Royce RB211-535E4-B 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 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 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 C&S/Sovran Trust Company (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 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, 2016.

"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 Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant arising out of the voluntary 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" shall have 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.

"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 Swiss Bank Corporation, New York Branch.

"Overdue Rate" means 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 1991 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), which may from time to time be incorporated or installed in or attached to the Airframe or any Engine.

"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); (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; (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; (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 July 21, 1988, 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 757 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment (AA 1991 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, 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 757-200 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 Rolls-Royce RB211-535E4-B 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) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (b) 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 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 1991 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. 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 3(e).

"Trust Agreement" means the Trust Agreement (AA 1991 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 1991 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 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 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 semi-annual installments payable on each Lease Period Date commencing on the Lease Period Date next following 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 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 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 1991 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 33 North Avenue, Suite 700, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1991 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 hav-

ing 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 2, 1991, 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 $1,947,948.23, 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 or before the Base Lease Commencement Date from Lessor, an amount equal to the Excess Payment Amount payable for such date, 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 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, 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, 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, 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 Rolls-Royce RB211-535E4-B 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) 110% 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) 110% 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 757-200 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 sys-

tem 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 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 Oper-ation; 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 757-200 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. 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 9511et seq. or any substantially similar program);

(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

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(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

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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 757-200 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; andprovided, 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 under the 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 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 "C&S/SOVRAN TRUST COMPANY (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 materially adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture. 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; provided that no such alteration, modification, addition or removal shall materially 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 Parts which Lessee 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 all such obsolete or unsuitable 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 materially 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 or unsuitable 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 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 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 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 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, 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 such other qualifications and assumptions as shall at the time be customary in opinions rendered in comparable circumstances. 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 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 (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. 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. 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.

(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 at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, 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.

Section 11. Insurance. (a) Public Liability and Property Damage Insurance. Subject to the rights of Lessee 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, Lessee will carry, or cause to be carried, at no expense to Lessor, the Indenture Trustee or the Owner Participant, 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 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, 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 & Telegraph Company, shall name AT&T Capital Corporation and American Telephone & Telegraph Company 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 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 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 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 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 and (ii) any rights of subrogation against Lessor, the Indenture Trustee or 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 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 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, 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 their bank examiners, auditors, accountants, agents and legal counsel and 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 any Permitted Air Carrier subleasing the same with respect to other aircraft owned or operated by Lessee 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 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 their bank examiners, auditors, accountants, agents and legal counsel and 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 of any property damage loss in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee.

As between Lessor and Lessee the insurance payments 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 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 Lessor, as security for the obligations of Lessee under this Lease, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, 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 their bank examiners, auditors, accountants, agents and legal counsel and 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 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 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 their bank examiners, auditors, accountants, agents and legal counsel and 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. 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. 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 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

(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, 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 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, 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 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 undismissed, 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: 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.

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, 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) 967-1234 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 1991 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, to its address set forth on the signature pages of the Participation Agreement, or to such

other address as the Owner Participant shall from time to time designate in writing to Lessee and Lessor, and (iv) if to the Indenture Trustee, to 33 North Avenue, Suite 700, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1991 AF-1), Facsimile: (404) 897-3142, Telephone: (404) 897-3263, 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 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 January 2, 2013, 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 Termination Date but only to the extent that any Basic Rent installment payable by Lessee pursuant to clause (x) above 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, 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 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. 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_____
Name:
Title:

LESSEE:

AMERICAN AIRLINES, INC.

By_____
Name:
Title:

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 1991 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 C&S/SOVRAN TRUST COMPANY (GEORGIA), NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1991 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. ONLY THAT COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THIS RECEIPT THEREFOR EXECUTED BY C&S/SOVRAN TRUST COMPANY (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 THIS EXECUTED ORIGINAL COUNTERPART. SEE SECTION 22 FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Receipt of this original counterpart of the foregoing Lease Agreement is hereby acknowledged on this _____ day of July, 1991.

C&S/SOVRAN TRUST
COMPANY (GEORGIA),
NATIONAL ASSOCIATION,
as Indenture Trustee

By_____
Name:
Title:

EXECUTION COPY

4(e)(10)

FIRST AMENDMENT TO

LEASE AGREEMENT (AA 1991 AF-1)

(Redesignated AA 1994 PTC Series AB)

Dated as of May 26, 1994

between

WILMINGTON TRUST COMPANY,

not in its individual
capacity but solely
as Owner Trustee, as
Lessor

and

AMERICAN AIRLINES, INC.,

as Lessee

One Boeing 757-223 Aircraft
N647AM

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FIRST AMENDMENT TO LEASE
AGREEMENT (AA 1991 AF-1)
(Redesignated AA 1994 PTC Series AB)

This FIRST AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Lease Amendment"), dated as of May 26, 1994, 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 1991 AF-1), dated as of June 25, 1991, and its 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 ("Lessee").

W I T N E S E T H:

WHEREAS, Lessee, the Owner Participant (as defined in the Original Participation Agreement referred to below, the "Owner Participant"), Swiss Bank Corporation, New York Branch ("Swiss Bank") as Original Loan Participant, Lessor and NationsBank of Georgia, National Association (formerly known as C&S/Sovran Trust Company (Georgia), National Association), a national banking association (the "Indenture Trustee"), entered into that certain Participation Agreement (AA 1991 AF-1), dated as of June 25, 1991 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 757-223 aircraft bearing U.S. Registration Number N647AM and Manufacturer's Serial Number 24605 (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 1991 AF-1), dated as of June 25, 1991 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1991 AF-1), dated July 2, 1991, the "Original Indenture"), pursuant to which the Lessor issued to Swiss Bank 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 Swiss Bank;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and Lessee entered into a Lease Agreement (AA 1991 AF-1) relating to the Aircraft, dated as of June 25, 1991 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1991 AF-1), dated July 2, 1991, 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 2, 1991, and assigned Conveyance No. I48484;

WHEREAS, subsequent to the execution and delivery of the Original Participation Agreement and prior to the date hereof, Swiss Bank transferred a portion of its interest in the certificate held by it to Westland/Utrecht Hypotheekbank, N.V. ("Westland"), and the Owner Trustee issued a replacement certificate to Swiss Bank, and a certificate to Westland, each substantially in the form set forth in Article II of the Original Indenture (each, a "Loan Certificate, and together, the "Loan Certificates");

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the 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 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) the Lessee, the Owner Trustee, the Indenture Trustee, Swiss Bank, Westland 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 May 26, 1994 (the "Instrument of Resignation"), pursuant to which the Indenture Trustee has resigned under the Original Indenture, and Swiss Bank, Westland, the 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, Swiss Bank,

Westland, State Street Bank and Trust Company of Connecticut, National Association, as Trustee (in such capacity, the "Pass Through Trustee") under five 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 1994 PTC Series AB), dated as of the date hereof (the "Refunding Agreement"), and (iii) the Lessor and Loan Trustee have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB) (such amended and restated Indenture, the "Amended and Restated Indenture" or the "Indenture"); and

WHEREAS, in order to carry out the provisions of such written notice 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 "Business Day" is amended by deleting the words "Fort Worth, Texas", by inserting the words "or the city and state in which the Loan Trustee disburses funds" after the words "Indenture Trustee is located" and by deleting the proviso thereof.

(c) The definition of "Certificate" is amended by inserting the words "provided that from and after the Refunding Date (as defined in the Refunding Agreement) "Certificate" shall mean and include any Equipment Note" between the words "Trust Indenture" and ".".

(d) The definition of "Event of Loss" is amended 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 Certificates relating to the occurrence of any such event".

(e) 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 ".".

(f) The definition of "Stipulated Loss Value" is amended by deleting the last two sentences thereof and by deleting the words "as such percentage may be adjusted as provided below."

(g) The definition of "Tax Indemnity Agreement" is amended by adding at the end thereof the phrase ", as the same may be amended from time to time".

(h) The definition of "Termination Value" is amended by deleting the last two sentences thereof and by deleting 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 "Lease Period Date", "Loan Participant", "Operative Documents", "Overdue Rate", "Trust Indenture" and "Indenture" contained in Section 1 of the Lease are amended to read as follows:

> "Lease Period" means each of forty-four consecutive semi-annual periods, the first such semi-annual period commencing on and including May 26, 1994 and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than the last such date), together with the period from May 26, 2016 to July 2, 2016.
>
> "Lease Period Date" means November 26, 1994 and each succeeding May 26 and November 26 to and including May 26, 2016, and July 2, 2016; provided that during any Renewal Term the "Lease Period Date" shall include each succeeding May 26 and November 26 during such Renewal Term.

"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 Certificates, 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.

"Original Loan Participant" means each of Swiss Bank Corporation, New York Branch, and Westland/Utrecht Hypotheekbank, N.V.

"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 rate of interest borne by the Certificates 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.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1991 AF-1), dated as of June 25, 1991, 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 1994 PTC Series AB), dated as of May 26, 1994, as the same may be further amended, modified or supplemented from time to time.

(k) The following definitions of "Average Certificate Rate", "Equipment Note", "Loan Certificate", "Loan Trustee", "Outstanding", "Pass Through Certificates", "Pass Through Trust", "Pass Through Trust Agreement", "Pass Through Trust Supplement", "Pass Through Trustee", "Premium Amount", "Refunding Agreement" 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 Certificates at the time outstanding, computed on the basis of a 360-day year of twelve 30-day months.

"Equipment Note" has the meaning specified in the Trust Indenture.

"Loan Certificate" has the meaning set forth for the term "Certificate" herein.

"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.

"Outstanding" or "outstanding", when used with respect to Certificates, 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 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 or amended pursuant to the applicable provisions thereof.

"Pass Through Trust Supplement" means Pass Through Trust Supplement Nos. 1 through 5, each dated as of May 26, 1994, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as each may be modified 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 each Pass Through Trust Supplement, and each other person which may from time to time be acting as successor trustee under any such Pass Through Trust Supplement.

"Premium 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.

"Refunding Agreement" means that certain Refunding Agreement (AA 1994 PTC Series AB) dated as of May 26, 1994, among the Lessee, the Owner Participant, the Lessor, the Pass Through Trustee under each Pass Through Trust Supplement, Swiss Bank Corporation, New York Branch, Westland/Utrecht Hypotheekbank, N.V., the Indenture Trustee and the Loan Trustee, as such Refunding Agreement may from time to time be supplemented or amended pursuant to the applicable provisions thereof.

"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. General Amendment to the Lease. Every Section of the Lease in which the term "Break Amount" appears, except as otherwise amended hereby, is amended by deleting the term "Break Amount" each time it appears and substituting therefor the term "Premium Amount".

Section 3. Amendment to Section 3 of the Lease. (a) Section 3(b) is amended 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 and (ii) in the case of any redemption or purchase of Certificates requested or consented to by the Lessee pursuant to Section 17 of the Participation Agreement, the Premium Amount, if any, payable pursuant to Section 6.01(b) 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 the Certificate Holders in respect of (x) Premium Amount, if any, payable thereon as a result of a redemption or purchase of the Certificates 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 "at the offices of the Indenture Trustee at 33 North Avenue, Suite 700, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1991 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 deleting the words "Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1991 AF-1)" and substituting therefor the words "Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1991 AF-1) (redesignated AA 1994 PTC Series AB)".

(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 11 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 (the "Transaction Costs")"; and by deleting the figure "1.0%" and substituting therefor the figure "1.49620759%".

Section 4. 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 5. 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 "Section 7.02 of the Trust Indenture."

(b) 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".

(c) Section 7(c) of the Lease is amended by deleting the words "C&S/SOVRAN TRUST COMPANY (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 6. 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 Certificates 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, Premium Amount, if any) 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 (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 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 Certificates and all accrued interest thereon, plus (2) that amount of interest that will accrue on the principal of all Outstanding Certificates 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 Indenture Trustee on such Termination Date under the Trust Indenture, the Participation Agreement or such Certificates. 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, Premium Amount, if any), 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, Premium Amount, if any), 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 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 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 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 Airframe 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 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 12 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 7. Amendment to Section 10 of the Lease. (a) The first sentence of Section 10(a) of the Lease is amended by inserting the words "and the Loan Trustee" after the word "Lessor" in the first place it appears.

(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, 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 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 the words "and the Loan Trustee" after the word "Lessor".

(h) Clause (iii) of Section 10(b) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C."

(i) Clause (v) of Section 10(b) of the Lease is amended by inserting the words "and the Loan Trustee" after the word "Lessor".

(j) 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 8. Amendment to Section 11 of the Lease. (a) Section 11 of the Lease is amended by deleting the words "each Participant" each time they appear and substituting therefor the words "the Pass Through Trustee and the Owner Participant"; by deleting the words "each Participant's" each time they appear and substituting therefor the words "the Pass Through Trustee's and the Owner Participant's"; by deleting the words "or Participant" and substituting therefor the words ", Pass Through Trustee or Owner Participant"; by deleting the words "any Participant" or "such Participant" each time they appear and substituting therefor the words "the Pass Through Trustee or the Owner Participant"; by deleting the words "any Participant's" or "such Participant's" each time they appear and substituting therefor the words "the Pass Through Trustee's or the Owner Participant's"; by deleting the words "Loan Participants" each time they appear and substituting therefor the words "Pass Through Trustee".

(b) Section 11(c) of the Lease is amended by inserting the words ", the Pass Through Trustee" between the words "Indenture Trustee" and "and the Owner Participant" each time they appear and by deleting the parenthetical phrase in the first sentence thereof.

Section 9. 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 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 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 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 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 to 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 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 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 10. Amendment to Section 14 of the Lease.

(a) Section 14(d) of the Lease is amended by inserting the words "or the Loan Trustee" before the first semicolon.

(b) Sections 14(a) and (e) of the Lease are each amended by inserting the words "or the Loan Trustee" before the semicolon.

Section 11. 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 Premium Amount payable to the Certificate Holders as a result of a redemption of the Certificates 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 12. Amendment to Section 18 of the Lease. Clause (ii) 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 1991 AF-1) (redesignated AA 1994 PTC Series AB)", and clause (iv) 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 20 of the Lease. Section 20(b) of the Lease is amended by deleting the words "January 2, 2013" in the first sentence and substituting therefor the words "November 26, 2012"; and by deleting the words "Section 2.16" and substituting therefor the words "Section 7.03".

Section 14. 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 15. 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 16. Ratification. Except as amended hereby, the Lease shall remain in full force and effect.

Section 17. Miscellaneous. This Lease Amendment 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 Amendment including a signature page executed by each of the parties hereto shall be an original counterpart of this Lease Amendment, but all of such counterparts together shall constitute one instrument. THIS LEASE AMENDMENT 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. 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. This Lease Amendment is being delivered in the State of New York.

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 _____ day of May, 1994.

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL
ASSOCIATION, LOAN TRUSTEE

By _____
Title:

EXHIBIT 4(e)(11)

LEASE AGREEMENT
(AA 1991 AF-2)

Dated as of June 25, 1991

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 757-223 Aircraft

N648AA

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 1991 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 C&S/SOVRAN TRUST COMPANY (GEORGIA), NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1991 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 C&S/SOVRAN TRUST COMPANY (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 1991 AF-2)

This LEASE AGREEMENT (AA 1991 AF-2), dated as of June 25, 1991, 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 757-223 aircraft (except Engines or engines from time to time installed thereon) bearing U.S. Registration Number N648AA and Manufacturer's Serial Number 24606, 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 10.5% per annum, payable January 10, 1992, and semiannually thereafter, computed on the basis of a 360-day year of twelve 30-day months.

"Base Lease Commencement Date" means January 10, 1992.

"Base Lease Expiration Date" means July 10, 2016.

"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 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 in 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 reasonable 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 Rolls-Royce RB211-535E4-B 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 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 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 C&S/Sovran Trust Company (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 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 10 and July 10, to and including July 10, 2016.

"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 Lessor (in its individual capacity or as Owner Trustee) or the Owner Participant arising out of the voluntary 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" shall have 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.

"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 Banque Indosuez.

"Overdue Rate" means 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 1991 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), which may from time to time be incorporated or installed in or attached to the Airframe or any Engine.

"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); (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; (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; (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 July 21, 1988, 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 757 aircraft, as such Purchase Agreement may hereafter be amended, modified or supplemented.

"Purchase Agreement Assignment" means the Purchase Agreement Assignment (AA 1991 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, 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 757-200 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 Rolls-Royce RB211-535E4-B 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) working under the direct supervision of such Chairman of the Board, President, Senior Vice President, Chief Financial Officer, Vice President or Treasurer and (b) 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 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 1991 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. 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 3(e).

"Trust Agreement" means the Trust Agreement (AA 1991 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 1991 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 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 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 semi-annual installments payable on each Lease Period Date commencing on the Lease Period Date next following 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 ac-

tually 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 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 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 1991 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 33 North Avenue, Suite 700, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1991 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.

(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 July 10, 1991, 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 $1,947,948.23, 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 or before the Base Lease Commencement Date from Lessor, an amount equal to the Excess Payment Amount payable for such date, 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 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, 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, 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, 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 Rolls-Royce RB211-535E4-B 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 re-

quired 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) 110% 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) 110% 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 757-200 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 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 757-200 series aircraft (or, at Lessee's option, (x) in the event that the Aircraft is reregistered 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. 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);

(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 757-200 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 under the 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 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 "C&S/SOVRAN TRUST COMPANY (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 at-

taching 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 materially adversely affect Lessor, the Aircraft, the Owner Participant or the lien of the Trust Indenture. 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; provided that no such alteration, modification, addition or removal shall materially 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 Parts which Lessee 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 all such obsolete or unsuitable 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 materially 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 or unsuitable 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 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 Certifi-

cates), 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 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 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 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, 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 such other qualifications and assumptions as shall at the time be customary in opinions rendered in comparable circumstances. 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 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 (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. 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. 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.

(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 at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, 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.

Section 11. Insurance. (a) Public Liability and Property Damage Insurance. Subject to the rights of Lessee 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, Lessee will carry, or cause to be carried, at no expense to Lessor, the Indenture Trustee or the Owner Participant, 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 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, 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 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 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 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 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 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 and (ii) any rights of subrogation against Lessor, the Indenture Trustee or 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 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 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, 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 their bank examiners, auditors, accountants, agents and legal counsel and 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 any Permitted Air Carrier subleasing the same with respect to other aircraft owned or operated by Lessee 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 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 their bank examiners, auditors, accountants, agents and legal counsel and 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 of any property damage loss in excess of the Stipulated Loss Value for the Aircraft shall be paid to Lessee.

As between Lessor and Lessee the insurance payments 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 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 Lessor, as security for the obligations of Lessee under this Lease, and at such time as there shall not be continuing any such Event of Default or event, such amount shall be paid to Lessee, 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 their bank examiners, auditors, accountants, agents and legal counsel and 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 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 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 their bank examiners, auditors, accountants, agents and legal counsel and 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. 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. 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 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

(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, 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 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, 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 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 undismissed, 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 Sec-

tion 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: (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 semiannually (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.

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, 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) 967-1234 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 1991 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, to its address set forth on the signature pages of the Participation Agreement, or to such other address as the Owner Participant shall from time to time designate in writing to Lessee and Lessor, and (iv) if to the Indenture Trustee, to 33 North Avenue, Suite 700, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1991 AF-2), Facsimile: (404) 897-3142, Telephone: (404) 897-3263, 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 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 January 10, 2013, 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 Termination Date but only to the extent that any Basic Rent installment payable by Lessee pursuant to clause (x) above 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, 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 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. 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_____
Name:
Title:

LESSEE:

AMERICAN AIRLINES, INC.

By_____
Name:
Title:

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 1991 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 C&S/SOVRAN TRUST COMPANY (GEORGIA), NATIONAL ASSOCIATION, AS INDENTURE TRUSTEE, UNDER THE TRUST INDENTURE AND SECURITY AGREEMENT (AA 1991 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. ONLY THAT COUNTERPART TO BE DEEMED THE ORIGINAL COUNTERPART FOR CHATTEL PAPER PURPOSES CONTAINS THIS RECEIPT THEREFOR EXECUTED BY C&S/SOVRAN TRUST COMPANY (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 THIS EXECUTED ORIGINAL COUNTERPART. SEE SECTION 22 FOR INFORMATION CONCERNING THE RIGHTS OF THE HOLDERS OF THE VARIOUS COUNTERPARTS HEREOF.

Receipt of this original counterpart of the foregoing Lease Agreement is hereby acknowledged on this _____ day of July, 1991.

C&S/SOVRAN TRUST
COMPANY (GEORGIA),
NATIONAL ASSOCIATION,
as Indenture Trustee

By_____
Name:
Title:

EXECUTION COPY

4(e)(12)

FIRST AMENDMENT TO

LEASE AGREEMENT (AA 1991 AF-2)

(Redesignated AA 1994 PTC Series AC)

Dated as of May 26, 1994

between

WILMINGTON TRUST COMPANY,

not in its individual
capacity but solely
as Owner Trustee, as
Lessor

and

AMERICAN AIRLINES, INC.,

as Lessee

One Boeing 757-223 Aircraft
N648AA

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FIRST AMENDMENT TO LEASE
AGREEMENT (AA 1991 AF-2)
(Redesignated AA 1994 PTC Series AC)

This FIRST AMENDMENT TO LEASE AGREEMENT (hereinafter referred to as this "Lease Amendment"), dated as of May 26, 1994, 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 1991 AF-2), dated as of June 25, 1991, and its 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 ("Lessee").

W I T N E S E T H:

WHEREAS, Lessee, the Owner Participant (as defined in the Original Participation Agreement referred to below, the "Owner Participant"), Banque Indosuez ("Indosuez") as Original Loan Participant, Lessor and NationsBank of Georgia, National Association (formerly known as C&S/Sovran Trust Company (Georgia), National Association), a national banking association (the "Indenture Trustee"), entered into that certain Participation Agreement (AA 1991 AF-2), dated as of June 25, 1991 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 757-223 aircraft bearing U.S. Registration Number N648AA and Manufacturer's Serial Number 24606 (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 1991 AF-2), dated as of June 25, 1991 (such Trust Indenture and Security Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1991 AF-2), dated July 10, 1991, the "Original Indenture"), pursuant to which the Lessor issued to Indosuez 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 Indosuez;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, Lessor and Lessee entered into a Lease Agreement (AA 1991 AF-2) relating to the Aircraft, dated as of June 25, 1991 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1991 AF-2), dated July 10, 1991, 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, 1991, and assigned Conveyance No. BB18866;

WHEREAS, subsequent to the execution and delivery of the Original Participation Agreement and prior to the date hereof, Indosuez transferred a portion of its interest in the certificate held by it to Credit National ("National"), and the Owner Trustee issued a replacement certificate to Indosuez, and a certificate to National, each substantially in the form set forth in Article II of the Original Indenture (each, a "Loan Certificate", and together, the "Loan Certificates");

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the 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 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) the Lessee, the Owner Trustee, the Indenture Trustee, Indosuez, National 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 May 26, 1994 (the "Instrument of Resignation"), pursuant to which the Indenture Trustee has resigned under the Original Indenture, and Indosuez, National, the 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, Indosuez, National, State Street Bank and Trust Company of

Connecticut, National Association, as Trustee (in such capacity, the "Pass Through Trustee") under five 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 1994 PTC Series AC), dated as of the date hereof (the "Refunding Agreement"), and (iii) the Lessor and Loan Trustee have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC) (such amended and restated Indenture, the "Amended and Restated Indenture" or the "Indenture"); and

WHEREAS, in order to carry out the provisions of such written notice 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 "Business Day" is amended by deleting the words "Fort Worth, Texas", by inserting the words "or the city and state in which the Loan Trustee disburses funds" after the words "Indenture Trustee is located" and by deleting the proviso thereof.

(c) The definition of "Certificate" is amended by inserting the words "provided that from and after the Refunding Date (as defined in the Refunding Agreement) "Certificate" shall mean and include any Equipment Note" between the words "Trust Indenture" and ".".

(d) The definition of "Event of Loss" is amended 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 Certificates relating to the occurrence of any such event".

(e) 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 ".".

(f) The definition of "Stipulated Loss Value" is amended by deleting the last two sentences thereof and by deleting the words "as such percentage may be adjusted as provided below."

(g) The definition of "Tax Indemnity Agreement" is amended by adding at the end thereof the phrase ", as the same may be amended from time to time".

(h) The definition of "Termination Value" is amended by deleting the last two sentences thereof and by deleting 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 "Lease Period Date", "Loan Participant", "Operative Documents", "Overdue Rate", "Trust Indenture" and "Indenture" contained in Section 1 of the Lease are amended to read as follows:

> "Lease Period" means each of forty-four consecutive semi-annual periods, the first such semi-annual period commencing on and including May 26, 1994 and each of the remaining periods commencing on and including the next subsequent Lease Period Date (other than the last such date), together with the period from May 26, 2016 to July 10, 2016.
>
> "Lease Period Date" means November 26, 1994 and each succeeding May 26 and November 26 to and including May 26, 2016, and July 10, 2016; provided that during any Renewal Term, the "Lease Period Date" shall include each succeeding May 26 and November 26 during such Renewal Term.
>
> "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 Certificates, 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.

"Original Loan Participant" means each of Banque Indosuez and Credit National.

"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 rate of interest borne by the Certificates 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.

"Trust Indenture" or "Indenture" means the Trust Indenture and Security Agreement (AA 1991 AF-2), dated as of June 25, 1991, 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 1994 PTC Series AC), dated as of May 26, 1994, as the same may be further amended, modified or supplemented from time to time.

(k) The following definitions of "Average Certificate Rate", "Equipment Note", "Loan Certificate", "Loan Trustee", "Outstanding", "Pass Through Certificates", "Pass Through Trust", "Pass Through Trust Agreement", "Pass Through Trust Supplement", "Pass Through Trustee", "Premium Amount", "Refunding Agreement" 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 Certificates at

the time outstanding, computed on the basis of a 360-day year of twelve 30-day months.

"Equipment Note" has the meaning specified in the Trust Indenture.

"Loan Certificate" has the meaning set forth for the term "Certificate" herein.

"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.

"Outstanding" or "outstanding", when used with respect to Certificates, 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 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 or amended pursuant to the applicable provisions thereof.

"Pass Through Trust Supplement" means Pass Through Trust Supplement Nos. 1 through 5, each dated as of May 26, 1994, to the Pass Through Trust Agreement, each between Lessee and the Pass Through Trustee, as each may be modified 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 each Pass Through Trust Supplement, and each other person which may from time to time be acting as successor trustee under any such Pass Through Trust Supplement.

"Premium 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.

"Refunding Agreement" means that certain Refunding Agreement (AA 1994 PTC Series AC) dated as of May 26, 1994, among the Lessee, the Owner Participant, the Lessor, the Pass Through Trustee under each Pass Through Trust Supplement, Banque Indosuez, Credit National, the Indenture Trustee and the Loan Trustee, as such Refunding Agreement may from time to time be supplemented or amended pursuant to the applicable provisions thereof.

"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. General Amendment to the Lease. Every Section of the Lease in which the term "Break Amount" appears, except as otherwise amended hereby, is amended by deleting the term "Break Amount" each time it appears and substituting therefor the term "Premium Amount".

Section 3. Amendment to Section 3 of the Lease. (a) Section 3(b) is amended 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 and (ii) in the case of any redemption or purchase of Certificates requested or consented to by the Lessee pursuant to Section 17 of the Participation Agreement, the Premium Amount, if any, payable pursuant to Section 6.01(b) 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 the Certificate Holders in respect of (x) Premium Amount, if any, payable thereon as a result of a redemption or purchase of the Certificates 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 "at the offices of the Indenture Trustee at 33 North Avenue, Suite 700, Atlanta, Georgia 30308, Attention: Corporate Trust Department (AA 1991 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 words "Rodney Square North, Wilmington, Delaware 19890, Attention: Corporate Trust Administration (AA 1991 AF-2)" and substituting therefor the words "Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration (AA 1991 AF-2) (redesignated AA 1994 PTC Series AC)".

(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 11 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 (the "Transaction Costs")"; and by deleting the

figure "1.0%" and substituting therefor the figure "1.50426713%".

Section 4. 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 5. 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 "Section 7.02 of the Trust Indenture."

(b) 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".

(c) Section 7(c) of the Lease is amended by deleting the words "C&S/SOVRAN TRUST COMPANY (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 6. 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 require-

ments 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 Par-

ticipant (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 Certificates 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, Premium Amount, if any) 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 (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 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 Certificates and all accrued interest thereon, plus (2) that amount of interest that will accrue on the principal of all Outstanding Certificates 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 Indenture Trustee on such Termination Date under the Trust Indenture, the Participation Agreement or such Certificates. 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, Premium Amount, if any), 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 re-

leasing 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, Premium Amount, if any), 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 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 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 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 Airframe 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 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 12 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 7. Amendment to Section 10 of the Lease. (a) The first sentence of Section 10(a) of the Lease is amended by inserting the words "and the Loan Trustee" after the word "Lessor" in the first place it appears.

(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, 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 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 the words "and the Loan Trustee" after the word "Lessor".

(h) Clause (iii) of Section 10(b) of the Lease is amended by deleting the words "Exhibit A" and substituting therefor the words "Exhibit C."

(i) Clause (v) of Section 10(b) of the Lease is amended by inserting the words "and the Loan Trustee" after the word "Lessor".

(j) 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 8. Amendment to Section 11 of the Lease. (a) Section 11 of the Lease is amended by deleting the words "each Participant" each time they appear and substituting therefor the words "the Pass Through Trustee and the Owner Participant"; by deleting the words "each Participant's" each time they appear and substituting therefor the words "the Pass Through Trustee's and the Owner Participant's"; by deleting the words "or Participant" and substituting therefor the words ", Pass Through Trustee or Owner Participant"; by deleting the words "any Participant" or "such Participant" each time they appear and substituting therefor the words "the Pass Through Trustee or the Owner Participant"; by deleting the words "any Participant's" or "such Participant's" each time they appear and substituting therefor the words "the Pass Through Trustee's or the Owner Participant's"; by deleting the words "Loan Participants" each time they appear and substituting therefor the words "Pass Through Trustee".

(b) Section 11(c) of the Lease is amended by inserting the words ", the Pass Through Trustee" between the words "Indenture Trustee" and "and the Owner Participant" each time they appear and by deleting the parenthetical phrase in the first sentence thereof.

Section 9. 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 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 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 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 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 to 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 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 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 10. Amendment to Section 14 of the Lease.

(a) Section 14(d) of the Lease is amended by inserting the words "or the Loan Trustee" before the first semicolon.

(b) Sections 14(a) and (e) of the Lease are each amended by inserting the words "or the Loan Trustee" before the semicolon.

Section 11. 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 Premium Amount payable to the Certificate Holders as a result of a redemption of the Certificates 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 12. Amendment to Section 18 of the Lease. Clause (ii) 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 1991 AF-2) (redesignated AA 1994 PTC Series AC)", and clause (iv) 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 20 of the Lease. Section 20(b) of the Lease is amended by deleting the words "January 2, 2013" in the first sentence and substituting therefor the words "November 26, 2012"; and by deleting the words "Section 2.16" and substituting therefor the words "Section 7.03".

Section 14. 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 15. 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 16. Ratification. Except as amended hereby, the Lease shall remain in full force and effect.

Section 17. Miscellaneous. This Lease Amendment 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 Amendment including a signature page executed by each of the parties hereto shall be an original counterpart of this Lease Amendment, but all of such counterparts together shall constitute one instrument. THIS LEASE AMENDMENT 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. 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. This Lease Amendment is being delivered in the State of New York.

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 _____ day of May, 1994.

STATE STREET BANK AND TRUST COMPANY
OF CONNECTICUT, NATIONAL
ASSOCIATION, LOAN TRUSTEE

By _____
Title:

EXECUTION COPY

EXHIBIT 4(f)(4)

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REFUNDING AGREEMENT
(AA 1994 PTC Series AA)

Dated as of May 26, 1994

Among

AMERICAN AIRLINES, INC.,
as Lessee

MISSION FUNDING EPSILON,
as Owner Participant

MERIDIAN TRUST COMPANY,
as Owner Trustee

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT,
NATIONAL ASSOCIATION,
as Pass Through Trustee
under each of five separate
Pass Through Trust Supplements

ROYAL BANK OF CANADA

and

CREDIT SUISSE,
ACTING THROUGH ITS NEW YORK BRANCH,
as Original Loan Participants

FIRST SECURITY BANK OF UTAH, N.A.,
as Indenture Trustee

and

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

_____

One Boeing 767-323ER Aircraft
(U.S. Registration No. N371AA)

Leased to American Airlines, Inc.

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(AA 1994 PTC Series AA)

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EXHIBIT M PARTICIPATION AGREEMENT AMENDMENT

REFUNDING AGREEMENT
(AA 1994 PTC SERIES AA)

This REFUNDING AGREEMENT (AA 1994 PTC Series AA), dated as of May 26, 1994 (the "Agreement"), among (i) AMERICAN AIRLINES, INC., a Delaware corporation (the "Lessee"), (ii) MISSION FUNDING EPSILON, a California corporation (the "Owner Participant"), (iii) MERIDIAN TRUST COMPANY, a Pennsylvania trust company, 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 MF-1), dated as of May 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 each of five separate Pass Through Trust Supplements (each, a "Pass Through Trust Supplement"), each dated as of May 26, 1994, between the Lessee and the Pass Through Trustee (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 (the "Pass Through Trust Agreement")), (v) ROYAL BANK OF CANADA and CREDIT SUISSE, ACTING THROUGH ITS NEW YORK BRANCH (the "Original Loan Participants"), (vi) FIRST SECURITY BANK OF UTAH, N.A., a national banking association, as Indenture Trustee (the "Indenture Trustee") under that certain Trust Indenture and Security Agreement (AA 1992 MF-1), dated as of May 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 MF-1), dated May 28, 1992, the "Original Indenture"), and (vii) 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 1994 PTC Series AA), dated as of May 26, 1994, between the Owner Trustee and State Street Bank and Trust Company of Connecticut, National Association (in such capacity, the "Loan Trustee").

W I T N E S S E T H:

WHEREAS, the Lessee, the Owner Participant, the Owner Trustee, the Original Loan Participants and the Indenture Trustee entered into a Participation Agreement (AA 1992 MF-1), dated as of May 15, 1992 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 767-323ER aircraft bearing U.S. Registration Number N371AA and Manufacturer's Serial Number 25198 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Participant entered into a Trust Agreement (AA 1992 MF-1) relating to the Aircraft, dated as of May 15, 1992 (such Trust Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1992 MF-1), dated May 28, 1992, the "Original Trust Agreement"), with the Owner Trustee in its individual capacity, pursuant to which Trust Agreement the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1.01 of such Trust Agreement for the benefit of the Owner Participant thereunder;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Participant entered into a Tax Indemnity Agreement (AA 1992 MF-1) relating to the Aircraft, dated as of May 15, 1992 (the "Original Tax Indemnity Agreement"), with the Lessee;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and the Indenture Trustee entered into the Original Indenture, pursuant to which the Owner Trustee issued to the Original Loan Participants certificates substantially in the form set forth in Article II of the Original Indenture (the "Loan Certificates") as evidence of the loan then being made by such Original Loan Participants in participating 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) or, if not defined therein as defined in the Lease (as defined below)) for the Aircraft;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and the Lessee entered into a Lease Agreement (AA

1992 MF-1) relating to the Aircraft, dated as of May 15, 1992 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1992 MF-1), dated May 28, 1992, the "Original Lease"), whereby, 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;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee, the Lessee, the Owner Participant and the Indenture Trustee entered into a Rent Schedule (AA 1992 MF-1), dated as of May 15, 1992, relating to the Original Lease (the "Original Rent Schedule");

WHEREAS, pursuant to the Instrument of Resignation, Appointment and Acceptance, dated as of May 26, 1994 (the "Instrument of Resignation"), among the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee and the Original Loan Participants, the Indenture Trustee has resigned under the Original Indenture, and the Pass Through Trustee, the Lessee and the Owner Trustee have accepted such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee;

WHEREAS, State Street Bank and Trust Company, a Massachusetts banking corporation, of which the Loan Trustee is a wholly-owned subsidiary, has entered into a guarantee, dated as of May 26, 1994 (the "State Street Guarantee") for the benefit of, among others, the holders from time to time of the Loan Certificates and the Equipment Notes (as defined below), substantially in the form of Exhibit A hereto, with respect to certain obligations of the Loan Trustee;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Owner Participant have entered into the First Amendment to Trust Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994 (the "Trust Agreement Amendment"; the Original Trust Agreement, as so amended, the "Trust Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant and the Lessee have entered into the First Amendment to Tax Indemnity Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994, relating to the Aircraft amending the Original Tax Indemnity Agreement (the "Tax Indemnity Agreement Amend-

ment"; the Original Tax Indemnity Agreement, as so amended, the "Tax Indemnity Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Loan Trustee have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AA), dated as of May 26, 1994 (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 certificates substantially in the form set forth in Exhibit A to the Indenture (herein, together with any certificates issued in replacement thereof, unless the context otherwise requires, being collectively called the "Equipment Notes" and individually an "Equipment Note") to the Pass Through Trustee of each Grantor Trust (as defined below);

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the 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 its 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) five separate grantor trusts (each, a "Grantor Trust") will be created to facilitate the transactions contemplated hereby;

WHEREAS, the proceeds from the sale of the Pass Through Certificates will be applied to purchase the Equipment Notes from the Owner Trustee;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Lessee have entered 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;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee, the Lessee, the Owner Participant, the Indenture Trustee and the Loan Trustee have amended and restated the Original Rent Schedule as the Amended and Restated Rent Schedule (AA 1992 MF-1) (redesignated as AA 1994 Series AA), dated as of May 26, 1994 (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 11:00 a.m. New York City time on May 26, 1994 or at such other date and time agreed to by the parties hereto (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 Loan Certificates to the Refunding Date, (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, (iii) the Pass Through Trustee for each Grantor Trust shall pay to the Owner Trustee the aggregate purchase price of the Equipment Notes being issued as set forth in clause (viii) below, (iv) the Owner Trustee shall pay to the Loan Trustee for the benefit of the Original Loan Participants an amount equal to the then outstanding principal amount of all Loan Certificates outstanding on the Refunding Date together with accrued and unpaid interest on such Loan Certificates to the Refunding Date and Break Amount, if any, (v) the Loan Trustee shall disburse to each of the Original Loan Participants the amounts of principal and interest, and the Break Amount, if any, owing to it on the Refunding Date with respect to its Loan Certificates as a prepayment of such Loan Certificates in accordance with Section 2.12 of the Original Indenture, (vi) each of the Original Loan Participants shall, against receipt of payment for its Loan Certificates, deliver to the Loan Trustee all of its Loan Certificates for cancellation, (vii) promptly following the prepayment of the Loan Certificates, the Owner Trustee and the Loan Trustee shall enter into the Amended

and Restated Indenture and (viii) the Owner Trustee shall issue, pursuant to Article II of the Indenture, to the Pass Through Trustees for the five Grantor Trusts Equipment Notes of the maturity, aggregate principal amount and bearing the interest rate set forth on Schedule I hereto opposite the name of each such Grantor Trust.

(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) In case the Pass Through Trustee shall for any reason fail to purchase the Equipment Notes 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 Participants any amount in respect of the prepayment of the Loan Certificates, and the Loan Certificates shall remain outstanding and in full force and effect.

(d) 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.

(e) 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.

(f) Subject to the terms and conditions hereof, in order to facilitate the refinancing by the Owner Trustee of the Loan Certificates contemplated hereby, the Lessee is entering into the Underwriting Agreement, dated as of May 13, 1994, among the Lessee and the several 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, 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, 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. The Equipment Notes shall be issued in various maturities and 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 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 set forth opposite the name of such Grantor Trust on Schedule I hereto, which Equipment Notes in the aggregate shall be in the principal amounts set forth on Schedule I hereto. All such Equipment Notes shall be dated and authenticated as of the Refunding Date and shall bear interest therefrom, shall be registered 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 Pass Through Trustee to make the payment described in Section 1(a)(iii) 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 (a), (f) and (l) shall not be conditions precedent to the obligations of the Owner Trustee hereunder, and paragraphs (a), (g) and (n) shall not be conditions precedent to the obligations of the Owner Participant hereunder):

(a) The Owner Trustee shall have tendered to the Pass Through Trustee the Equipment Notes as required by Section 2.

(b) 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 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");

(8) the Instrument of Resignation;

(9) the Tax Indemnity Agreement Amendment (for the Owner Participant only); and

(10) the State Street Guarantee.

(c) 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) such other documents and evidence with respect to the other parties hereto as it may

reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the other Operative Documents (as defined in the Lease), the Underwriting Agreement and the Pass Through Trust Documents, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

(d) 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;

(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 of 1958, as amended (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 are correct on and as of such earlier date);

(5) no material adverse change shall have occurred in the financial condition of the Lessee and its consolidated subsidiaries, taken as a whole, from that shown in the audited consolidated financial statements of the Lessee and its consolidated subsidiaries as of December 31, 1993; and

(6) 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.

(e) 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 are correct on and as of such earlier date).

(f) 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 are correct on and as of such earlier date).

(g) 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 are correct on and as of such earlier date).

(h) 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 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 pursuant to Section 4(F) of the Participation Agreement.

(j) An amendment or amendments (including an assignment) to the Uniform Commercial Code financing statement or statements covering the security interests created by the Indenture shall have been executed and delivered by the Owner Trustee, as debtor, and by the Loan Trustee, as secured party, and such amendments shall have been duly filed in all places necessary or desirable within the Commonwealth of Pennsylvania, and an amendment or amendments (including an assignment) to the Uniform Commercial Code financing statement or statements describing the Lease as a lease shall have been executed and delivered by the Indenture Trustee, the Loan Trustee and the Lessee, and such amendment or amendments shall have been duly filed in all places necessary or desirable within the State of Texas.

(k) 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-Administration and General Counsel of the Lessee, substantially in the form of Exhibit E hereto.

(l) The Pass Through Trustee and the Owner Participant each shall have received an opinion addressed to it from Mudge Rose Guthrie Alexander & Ferdon, special New York counsel for the Owner Trustee, substantially in the form set forth in Exhibit F hereto, and an opinion addressed to it from Prokop & Prokop, special Pennsylvania counsel for the Owner Trustee, substantially in the form of Exhibit G hereto.

(m) 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 H hereto.

(n) The Pass Through Trustee and the Owner Trustee each shall have received an opinion addressed

to it from White & Case, special counsel for the Owner Participant, substantially in the form of Exhibit I hereto, and an opinion addressed to it from Kenneth S. Stewart, Assistant General Counsel of SCE corp, the indirect parent of the Owner Participant, substantially in the form of Exhibit J hereto.

(o) 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 K 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 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 Pass Through Trustee to make the payments described in Section 1(a) or for the Owner Trustee or Owner Participant to execute, deliver, and perform its duties under any Operative Document to which it is a party, or to participate in the transactions contemplated by this Agreement and the other Operative Documents 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 Pass Through Trustee's making of the payments described in Section 1(a) or the Owner Trustee's or Owner Participant's participation in any transaction contemplated hereby on the Refunding Date shall have been duly obtained.

Promptly upon 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 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 the receipt by the Lessee of (i) 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 and (ii) such other documents and evidence with respect to each other party hereto 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.

(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 L 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 Participants, the Owner Trustee and the Lessee hereby waive notice

of the resignation of the Indenture Trustee pursuant to the Instrument of Resignation. Each Original Loan Participant, the Lessee, the Pass Through Trustee and the 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 each Original Loan Participant, the Owner Trustee, the Indenture Trustee and the Loan Trustee; the Original Loan Participants 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 Lessee, by execution and delivery hereof, consents to such execution and delivery of 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 Pass Through Trustee, 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 Participants, by execution and delivery hereof, request and instruct 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 Lease Amendment and the Amended and Restated Rent Schedule shall be effective as of the Closing.

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 M hereto (such Original Participation Agreement, as so amended, the "Participation Agreement"), and 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 M. Except as so amended hereby, the Original Participation Agreement shall remain in full force and effect.

SECTION 8. LESSEE'S REPRESENTATIONS AND WARRANTIES. The Lessee represents and warrants to the Pass

Through Trustee, the Owner Participant, the Owner Trustee, the Original Loan Participants and the Loan Trustee that:

(a) 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 certificated under Section 401 and Section 604(b) of the Federal Aviation Act, is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act and the rules and regulations promulgated thereunder, has the corporate power and authority to own or hold under lease its properties, has, or had 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 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 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) is located in Fort Worth, Texas;

(b) the execution and delivery 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 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 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 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 any other 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, 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 or foreign governmental authority or agency, other than (i) the registration of the issuance and sale of the Pass Through Certificates, Series 1994-A (the "Pass Through Certificates"), to be issued pursuant to the provisions of the Pass Through Trust Documents, under the Securities Act of 1933, as amended, 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, which registrations have been duly accomplished, ii) the qualification of the Pass Through Trust Documents under the Trust Indenture Act of 1939, as amended, which qualification has been duly obtained pursuant to an order of the Securities and Exchange Commission, and iii) the registrations and filings referred to in Section 8(h);

(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 this Agreement, 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) there are no pending or threatened actions or proceedings before any court 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 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 (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, 1992, inclusive, are subject to examination by the Internal Revenue Service;

(g) 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 consoli-

dated statements of operations and cash flows for the three fiscal years then ended (copies of which have been furnished to 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); since December 31, 1993, 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 filing for recording pursuant to the Federal Aviation Act of the Indenture, the Instrument of Resignation, the Trust Agreement Amendment and the Lease Amendment, 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) that has not been previously taken is necessary or advisable 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 the amendments referred to in Section 3(j) hereof under Article 9 of the Uniform Commercial Code as in effect in the State of Texas in respect of a financing statement previously filed under such Article 9), or to perfect the security interest in favor of the Loan Trustee in the Owner Trustee's interest in the Aircraft (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 and in the Lease in any applicable jurisdiction in the United States (other than the Loan Trustee taking possession of the original counterparts of the Original Lease and the Lease Amendment (to the extent the Original Lease and the Lease Amendment constitute chattel paper) and the filing of the amendments (and assignments) referred to in Section 3(j) hereof under Article 9 of the Uniform Commercial Code as in effect in the Commonwealth of Pennsylvania in respect of a financing statement previously filed under such Article 9);

(i) the Lessee represents and warrants that neither it nor any Person authorized to act on its behalf has (i) (other than as described in clause (ii)) directly or indirectly offered any interest in the Trust Estate or the Equipment Notes or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone other than the Owner Participant, the Original Loan Participants and not more than 70 other institutional investors or (ii) directly or indirectly offered the Pass Through Certificates for sale to anyone other than in a manner required by the Securities Act of 1933, as amended, 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;

(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

(l) no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the elapse of time.

SECTION 9. REPRESENTATIONS, WARRANTIES AND COVENANTS. (a) The Loan Trustee, in its individual capacity and as Loan Trustee, represents, warrants and covenants to the Pass Through Trustee, the Owner Participant, the Owner Trustee, the Original Loan Participants and the Lessee 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" within the meaning of Section 101(16) of the Federal Aviation Act and the rules and regulations of the Federal Aviation Administration promulgated thereunder 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 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 a party;

(2) the execution and delivery by the Loan Trustee of this Agreement, the Indenture, each other Operative Document to which it is 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 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, the Original Participation Agreement and the Original Indenture constitute, 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 trust company duly organized and validly existing in good standing under the laws of the Commonwealth of Pennsylvania, has full corporate power and authority to carry on its business as now conducted and has, or had 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 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 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 a party;

(2) 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 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 Amended and Restated Rent Schedule, the Original Participation Agreement, the Original Trust Agreement, the Original Indenture, the Original Lease and each other Operative Document to which it is a party 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;

(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 party, constitutes, and each of the Participation Agreement, when the Closing has occurred, the Indenture, when entered into, the Lease, when the Lease Amendment shall have been 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, and on the Refunding Date shall have duly issued, executed and delivered to the Pass Through Trustee, the Equipment Notes pursuant to the terms and provisions 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 Commonwealth of Pennsylvania 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 Pennsylvania or New York 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 by this Agreement, 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 Commonwealth of Pennsylvania 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 paragraphs (b)(1), (2), (4) and (5) of this Section 9, that, in each case, would not have been imposed if the Trust Estate had not been created pursuant to the laws of the Commonwealth of Pennsylvania and Meridian 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 Commonwealth of Pennsylvania;

(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 paragraphs (b)(1), (2), (4) and (5) of this Section 9;

(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 at 35 North Sixth Street, Reading, Pennsylvania 19601, Attention: Corporate Trust Administration (AA 1994 PTC Series AA), 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 or trust capacity 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 Participants 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 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 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 California, 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 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 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 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 being 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 financing or the citizenship requirements of the Owner Participant under the Federal Aviation Act and the rules and regulations thereunder), or (2) will contravene the provisions of, or constitutes or has constituted 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 required 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 its knowledge, 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, the Trust Agreement and the Amended and Restated Rent Schedule;

(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 Agree-

ment or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone;

(6) on the Refunding Date, the Trust Estate shall be free of Lessor's Liens attributable to it; and

(7) 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).

(d) The Pass Through Trustee represents, warrants and covenants to the Owner Participant, the Owner Trustee and the Lessee 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 duly authorized, executed and delivered by the Pass Through Trustee; this Agreement, each of the Pass Through Trust Documents and the Participation Agreement 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 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 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 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;

(7) except for the issue and sale of the Pass Through Certificates contemplated hereby, the Pass Through Trustee has not directly or indirectly offered any 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

(8) 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.

(e) Each Original Loan Participant, solely in its individual capacity, represents and warrants that:

(1) as of the Refunding Date it is the owner of a Loan Certificate in the aggregate principal amount set forth opposite its name on Schedule II hereto free and clear of Liens attributable to it;

(2) this Agreement has been duly authorized, executed and delivered by it; this Agreement constitutes the legal, valid and binding obligation of such Original Loan Participant, enforceable against such Original Loan Participant in accordance with its terms, except as such enforceability may be limited by application of bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally, and by general principles of equity; and

(3) its execution and delivery of this Agreement will not contravene the provisions of, or constitute a default under, its articles of incorporation or by-laws

or any indenture, mortgage, contract or other agreement or instrument to which it is a party or by which it or any of its properties may be bound.

(f) The Indenture Trustee represents and warrants that:

(1) this Agreement and the Instrument of Resignation have been duly authorized, executed and delivered by it; this Agreement and the Instrument of Resignation constitute the legal, valid and binding obligations of the Indenture Trustee, enforceable against the Indenture Trustee in accordance with their respective terms; and

(2) the execution, delivery and performance of this Agreement and the Instrument of Resignation will not contravene the provisions of, or constitute a default under, its articles of incorporation or by-laws or any indenture, mortgage, contract or other agreement or instrument to which it is a party or by which it or any of its property may be bound or affected.

SECTION 10. 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 Pass Through Trustee, the Original Loan Participants, 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.

SECTION 11. 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 Owner Participant, the Pass Through Trustee, the Loan Trustee and the Original Loan Participants (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) Mudge Rose Guthrie Alexander & Ferdon, special New York counsel for the Owner Trustee, and Prokop & Prokop, special Pennsylvania 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 and (E) Winthrop, Stimson, Putnam & Roberts, special counsel to the Original Loan Participants;

(2) the reasonable fees, expenses and disbursements of White & Case, special counsel for the Owner Participant; and

(3) 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 Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., Salomon Brothers Inc and Pryor, McClendon, Counts & Co., Inc. in connection with the offering and sale of the Pass Through Certificates, 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 11, in each case allocable to the Equipment Notes issued under the Indenture.

Notwithstanding the foregoing, the Lessee shall pay, in 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 11 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 11; provided that 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.

SECTION 12. 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 Participants and the Pass Through Trustee, and the Lessee's, the Owner Trustee's, the Loan Trustee's, the Owner Participant's 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 MF-1)" are hereby redesignated "(AA 1994 PTC Series AA)".

(d) 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; 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 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 Refunding 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: P.O. Box 619616
Dallas/Fort Worth
International Airport
Texas 75261-9616
Attention: Vice President
Telex: 73-0613
Answerback: AMAIR-DFWDAL
Facsimile: (817) 963-4318
Telephone: (817) 963-1234

MISSION FUNDING EPSILON,
as Owner Participant

By:_____
Name:
Title:

Address: 18101 Von Karman Avenue
Suite 1700
Irvine, California 92715
Attention: President
Telex:
Answerback:
Facsimile: (714) 757-0140
Telephone: (714) 757-2400

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

By:_____
Name:
Title:

Address: 35 North Sixth Street
Reading, Pennsylvania 19601
Attention: Corporate Trust
Administration
(AA 1994 PTC Series AA)
Telex:
Answerback:
Facsimile: (610) 655-1349
Telephone: (610) 655-3111

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: 750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

ROYAL BANK OF CANADA,
as Original Loan Participant

By:_____
Name:
Title:

Address: Royal Bank of Canada
Grand Cayman Branch
c/o New York Operations Center
Pierrepont Plaza 300 Cadman
Plaza West Brooklyn, NY
11201-2701
Attention: Manager, Loan Administration
Telex:
Answerback:
Facsimile: (718) 522-6292/3
Telephone: (212) 858-7183

With a copy to: Royal Bank of Canada
Financial Square
New York, NY 10005-3531
Attention: Mr. D. G. Calancie
Facsimile: (212) 428-6459
Telephone: (212) 428-6445

CREDIT SUISSE, ACTING THROUGH ITS
NEW YORK BRANCH,
as Original Loan Participant

By:_____
Name:
Title:

By:_____
Name:
Title:

Address: 12 East 49th Street
42nd Floor
New York, NY 10017
Attention: Aircraft Finance
Telex:
Answerback:
Facsimile: (212) 238-5331
Telephone: (212) 612-8000

STATE STREET BANK AND TRUST COMPANY OF
CONNECTICUT, NATIONAL ASSOCIATION,
as Pass Through Trustee under each
of five separate Pass Through Trust
Agreements

By:_____
Name:
Title:

Address: 750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

FIRST SECURITY BANK OF UTAH, N.A.
as Indenture Trustee

By:_____
Name:
Title:

Address: 79 South Main Street
Salt Lake City, Utah 84111
Attention: Corporate Trust Department
Telex: 388431
Answerback: FIRST SEC BANK, SLC
Facsimile: (801) 350-5053
Telephone: (801) 350-5630

EXECUTION COPY
EXHIBIT 4(f)(5)

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REFUNDING AGREEMENT
(AA 1994 PTC Series AB)

Dated as of May 26, 1994

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 each of five separate
Pass Through Trust

Supplements

SWISS BANK CORPORATION, NEW YORK BRANCH

and

WESTLAND/UTRECHT HYPOTHEEKBANK, N.V.,
as Original Loan Participants

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION
(FORMERLY KNOWN AS C&S/SOVRAN
TRUST COMPANY (GEORGIA), NATIONAL ASSOCIATION),
as Indenture Trustee

And

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

_____

One Boeing 757-223 Aircraft
N647AM

Leased to American Airlines, Inc.

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Series AB

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(AA 1994 PTC Series AB)

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EXHIBIT E FORM OF OPINION OF ANNE H. McNAMARA, ESQ.

EXHIBIT F FORM OF OPINION OF POTTER ANDERSON & CORROON, COUNSEL FOR THE OWNER TRUSTEE

EXHIBIT G FORM OF OPINION OF BINGHAM, DANA & GOULD, COUNSEL FOR THE LOAN TRUSTEE

EXHIBIT H FORM OF OPINION OF SIDLEY & AUSTIN, COUNSEL TO OWNER PARTICIPANT

EXHIBIT I FORM OF OPINION OF LOUIS B. FONTANA, ESQ., COUNSEL TO OWNER PARTICIPANT

EXHIBIT J FORM OF OPINION OF CROWE & DUNLEVY

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EXHIBIT L PARTICIPATION AGREEMENT AMENDMENT

REFUNDING AGREEMENT
(AA 1994 PTC Series AB)

This REFUNDING AGREEMENT (AA 1994 PTC Series AB) dated as of May 26, 1994, 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 1991 AF-1), dated as of June 25, 1991, 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 each of five separate Pass Through Trust Supplements (each, a "Pass Through Trust Supplement"), each dated as of May 26, 1994, between the Lessee and the Pass Through Trustee (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 (the "Pass Through Trust Agreement")), (v) SWISS BANK CORPORATION, NEW YORK BRANCH ("Swiss Bank") and WESTLAND/UTRECHT HYPOTHEEKBANK, N.V., ("Westland" and, together with Swiss Bank, the "Original Loan Participants"), (vi) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION (formerly known as C&S/Sovran Trust Company (Georgia), National Association), a national banking association, as Indenture Trustee (the "Indenture Trustee") under that certain Trust Indenture and Security Agreement (AA 1991 AF-1), dated as of June 25, 1991, 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 1991 AF-1), dated as of July 2, 1991, the "Original Indenture"), and (vii) 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 1994 PTC Series AB), dated as of May 26, 1994, between the Owner Trustee and State Street (in such capacity, the "Loan Trustee").

W I T N E S S E T H:

WHEREAS, the Lessee, the Owner Participant, the Owner Trustee, the Original Loan Participant and the Indenture Trustee entered into a Participation Agreement (AA 1991 AF-1), dated as of June 25, 1991 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 757-223 aircraft bearing U.S. Registration Number N647AM and Manufacturer's Serial Number 24605 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Participant entered into a Trust Agreement (AA 1991 AF-1) relating to the Aircraft, dated as of June 25, 1991 (such Trust Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1991 AF-1), dated as of July 2, 1991, the "Original Trust Agreement"), with the Owner Trustee in its individual capacity, pursuant to which Trust Agreement the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1.01 of such Trust Agreement for the benefit of the Owner Participant thereunder;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Participant entered into a Tax Indemnity Agreement (AA 1991 AF-1) relating to the Aircraft, dated as of June 25, 1991 (the "Original Tax Indemnity Agreement"), with the Lessee;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and the Indenture Trustee entered into the Original Indenture pursuant to which the Owner Trustee issued to Swiss Bank a certificate substantially in the form set forth in Article II of the Original Indenture as evidence of the loan then being made by such Original Loan Participant in participating 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) or, if not defined therein, as defined in the Lease (as defined below)) for the Aircraft;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and the Lessee entered into a Lease Agreement (AA 1991 AF-1) relating to the Aircraft, dated as of June 25,

1991 (such Lease Agreement, as supplemented by Lease Supplement No. 1 (AA 1991 AF-1), dated July 2, 1991, the "Original Lease"), whereby, 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 such Owner Trustee, the Aircraft on its Delivery Date;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee, the Lessee, the Owner Participant and the Indenture Trustee entered into a Rent Schedule (AA 1991 AF-1) relating to the Original Lease, dated as of June 25, 1991 (the "Original Rent Schedule");

WHEREAS, subsequent to the execution and delivery of the Original Participation Agreement and prior to the date hereof, Swiss Bank transferred a portion of its interest in the certificate held by it to Westland, and the Owner Trustee issued a replacement certificate to Swiss Bank and a certificate to Westland, each substantially in the form set forth in Article II of the Original Indenture (each, a "Loan Certificate", and together, the "Loan Certificates");

WHEREAS, pursuant to the Instrument of Resignation, Appointment and Acceptance, dated as of May 26, 1994 (the "Instrument of Resignation"), among the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee and the Original Loan Participants, the Indenture Trustee has resigned under the Original Indenture, and the Pass Through Trustee, the Lessee and the Owner Trustee have accepted such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee;

WHEREAS, State Street Bank and Trust Company, a Massachusetts banking corporation, of which the Loan Trustee is a wholly-owned subsidiary, has entered into a guarantee, dated as of May 26, 1994 (the "State Street Guarantee") for the benefit of, among others, the holders from time to time of the Loan Certificates and the Equipment Notes (as defined below), substantially in the form of Exhibit A hereto with respect to certain obligations of the Loan Trustee;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Owner Participant have entered into the First Amendment to Trust Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994

(the "Trust Agreement Amendment"; the Original Trust Agreement, as so amended, the "Trust Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant and the Lessee have entered into the First Amendment to Tax Indemnity Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994 relating to the Aircraft amending the Original Tax Indemnity Agreement (the "Tax Indemnity Agreement Amendment"; the Original Tax Indemnity Agreement, as so amended, the "Tax Indemnity Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Loan Trustee have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AB), dated as of May 26, 1994 (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 certificates substantially in the form set forth in Exhibit A to the Indenture (herein, together with any certificates issued in replacement thereof, unless the context otherwise requires, being collectively called the "Equipment Notes" and individually an "Equipment Note") to the Pass Through Trustee of each Grantor Trust (as defined below);

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the 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 its 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) five separate grantor trusts (each, a "Grantor Trust") will be created to facilitate the transactions contemplated hereby;

WHEREAS, the proceeds from the sale of the Pass Through Certificates will be applied to purchase the Equipment Notes from the Owner Trustee;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Lessee have entered 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;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee, the Lessee, the Owner Participant, the Indenture Trustee and the Loan Trustee have amended and restated the Original Rent Schedule as the Amended and Restated Rent Schedule (AA 1991 AF-1) (redesignated as AA 1994 Series AB), dated as of May 26, 1994 (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 11:00 a.m. New York City time on May 26, 1994 or at such other date and time agreed to by the parties hereto (the "Refunding Date"), (i) immediately prior to the Closing (as hereinafter defined), if the Refunding Agreement 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 Loan Certificates to the Refunding Date, (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, (iii) the Pass Through Trustee for each Grantor Trust shall pay to the Owner Trustee the aggregate purchase price of the Equipment Notes being issued as set forth in clause (viii) below, (iv) the Owner Trustee shall pay to the Loan Trustee for the benefit of the Original Loan Participants an amount equal to the then outstanding principal amount of all Loan Certificates outstanding on the Refunding

Date together with accrued and unpaid interest on such Loan Certificates to the Refunding Date and Break Amount, if any, (v) the Loan Trustee shall disburse to each of the Original Loan Participants the amounts of principal and interest, and Break Amount, if any, owing to it on the Refunding Date with respect to its Loan Certificates as a prepayment of such Loan Certificates in accordance with Section 2.12 of the Original Indenture, (vi) each of the Original Loan Participants shall, against receipt of payment for its Loan Certificates, deliver to the Loan Trustee all of its Loan Certificates for cancellation, (vii) promptly following the prepayment of the Loan Certificates, the Owner Trustee and the Loan Trustee shall enter into the Amended and Restated Indenture and (viii) the Owner Trustee shall issue, pursuant to Article II of the Indenture, to the Pass Through Trustees for the five Grantor Trusts Equipment Notes of the maturity, aggregate principal amount and bearing the interest rate set forth on Schedule I hereto opposite the name of each such Grantor Trust.

(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) In case the Pass Through Trustee shall for any reason fail to purchase the Equipment Notes 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 Participants any amount in respect of the prepayment of the Loan Certificates and the Loan Certificates shall remain outstanding and in full force and effect.

(d) 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.

(e) 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.

(f) Subject to the terms and conditions hereof, in order to facilitate the refinancing by the Owner Trustee of the Loan Certificates contemplated hereby, the Lessee is entering into the Underwriting Agreement, dated as of May 13, 1994, among the Lessee and the several 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, 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, 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. The Equipment Notes shall be issued in various maturities and 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 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 set forth opposite the name of such Grantor Trust on Schedule I hereto, which Equipment Notes in the aggregate shall be in the principal amounts set forth on Schedule I hereto. All such Equipment Notes shall be dated and authenticated as of the Refunding Date and shall bear interest therefrom, shall be registered 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 Pass Through Trustee to make the payment described in Section 1(a)(iii) 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 (a), (f) and (l) shall not be conditions precedent to the obligations of the Owner Trustee hereunder and paragraphs (a), (g) and (n) shall not be conditions precedent to the obligations of the Owner Participant hereunder):

(a) The Owner Trustee shall have tendered to the Pass Through Trustee the Equipment Notes as required by Section 2.

(b) 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 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, the Participation Agreement and this Agreement;

(7) the Pass Through Trust Supplements and the Pass Through Trust Agreement (collectively, the "Pass Through Trust Documents");

(8) the Instrument of Resignation;

(9) the Tax Indemnity Agreement Amendment (for the Owner Participant only); and

(10) the State Street Guarantee.

(c) 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) such other documents and evidence with respect to the other parties hereto as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the other Operative Documents (as defined in the Lease), and the Pass Through Trust Documents, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

(d) 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;

(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 of 1958, as amended (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 are correct on and as of such earlier date);

(5) no material adverse change shall have occurred in the financial condition of the Lessee and its consolidated subsidiaries, taken as a whole, from that shown in the audited consolidated financial statements of the Lessee and its consolidated subsidiaries as of December 31, 1993;

(6) 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

(7) No Event of Loss has occurred and is continuing.

(e) 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 are correct on and as of such earlier date).

(f) 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 are correct on and as of such earlier date).

(g) 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 are correct on and as of such earlier date).

(h) 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 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 pursuant to Section 4(F) of the Participation Agreement.

(j) A UCC-1 financing statement and an amendment or amendments (including an assignment) to the Uniform Commercial Code financing statement or statements covering the security interests created by the Indenture shall have been executed and delivered by the Owner Trustee, as debtor, and by the Loan Trustee, as secured party, and such amendments shall have been duly filed in all places necessary or desirable within the State of Delaware, and an amendment or amendments (including an assignment) to the Uniform Commercial Code financing statement or statements describing the Lease as a lease shall have been executed and delivered by the Indenture Trustee, the Loan Trustee and the Lessee, and such amendment or amendments shall have been duly filed in all places necessary or desirable within the State of Texas.

(k) 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-Administration and General Counsel of the Lessee, substantially in the form of Exhibit E hereto.

(l) 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 set forth in Exhibit F hereto.

(m) 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 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, counsel of the Owner Participant, substantially in the form of Exhibit I hereto.

(o) 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 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 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 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 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 the receipt by the Lessee of (i) 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 and (ii) such other documents and evidence with respect to each other party hereto 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.

(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 Participants, 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 Participants, 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 each Original Loan Participant, the Owner Trustee, the Indenture Trustee and the Loan Trustee; the Original Loan Participants 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 Lessee, by execution and delivery hereof, consents to such execution and delivery of 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 Pass Through Trustee, 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 Participants, by execution and delivery hereof, request and instruct 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 Lease Amendment and the Amendedand Restated Rent Schedule shall be effective as of the Closing.

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 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 shall remain in full force and effect.

SECTION 8. Lessee's Representations and Warranties. The Lessee represents and warrants to the Pass Through Trustee, the Owner Participant, the Owner Trustee, the Original Loan Participants and the Loan Trustee that:

(a) 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, is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, has the corporate power and authority to own or hold under lease its properties, has, or had 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 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 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) is located in Fort Worth, Texas;

(b) the execution and delivery 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 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 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 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 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, 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 or foreign governmental authority or agency, other than (i) the registration of the issuance and sale of the Pass Through Certificates, Series 1994-A (the "Pass Through Certificates"), to be issued pursuant to the provisions of the Pass Through Trust Documents, under the Securities Act of 1933, as amended, which registration has been duly accomplished, 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 Act of 1939, as amended, which qualification has been duly obtained pursuant to an order of the Securities and Exchange Commission, and

(iii) the registrations and filings referred to in Section 8(h);

(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) there are no pending or threatened actions or proceedings before any court 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 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 (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, 1992, inclusive, are subject to examination by the Internal Revenue Service;

(g) 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 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); since December 31, 1993, 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 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) that has not been previously taken is necessary 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 the amendments referred to in Section 3(j) hereof under Article 9 of the Uniform Commercial Code as in effect in the State of Texas in respect of a financing statement previously filed under such Article 9), or to perfect the security interest in favor of the Loan Trustee in the Owner Trustee's interest in the Aircraft (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 and in the Lease in any applicable jurisdiction in the United States (other than the Loan Trustee taking possession of the original counterparts of the Original Lease and the Lease Amendment (to the extent the Original Lease and the Lease Amendment constitute chattel paper) and the filing of (i) the UCC-1 financing statement and (ii) the amendments (and assignments) referred to in Section 3(j) hereof under Article 9 of the Uniform Commercial Code as in effect in the States of Delaware or Texas, as the case may be, in respect of a financing statement previously filed under such Article 9);

(i) the Lessee represents and warrants that neither it nor any Person authorized to act on its behalf has (i) (other than as described in clause (ii)) directly or indirectly offered any interest in the Trust Estate or the Equipment Notes or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone other than the Owner Participant, the Original Loan Participants and not more than 70 other institutional investors or (ii) directly or indirectly offered the Pass Through Certificates for sale to anyone other than in a manner required by the Securities Act of 1933, as amended, 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;

(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

(l) no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the elapse of time.

SECTION 9. Representations, Warranties and Covenants. (a) The Loan Trustee represents, warrants and covenants to the Pass Through Trustee, the Owner Participant, the Owner Trustee, the Original Loan Participants and the Lessee 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" within the meaning of Section 101(16) of the Federal Aviation Act 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 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 a party;

(2) the execution and delivery by the Loan Trustee of this Agreement, the Indenture, each other Operative Document to which it is 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 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 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 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 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 a party;

(2) 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 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 Amended and Restated Rent Schedule, the Original Participation Agreement, the Original Trust Agreement, the Original Indenture, the Original Lease and each other Operative Document to which it is a party 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;

(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 party, constitutes, and each of the Participation Agreement, when the Closing has occurred, the Indenture, when entered into, the Lease, when the Lease Amendment shall have been 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, and on the Refunding Date shall have duly issued, executed and delivered to the Pass Through Trustee, the Equipment Notes pursuant to the terms and provisions 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 Assign-

ment 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 or trust capacity 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 Participants 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 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 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 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 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 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 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 its knowledge, 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 it; and

(7) 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).

(d) The Pass Through Trustee represents, warrants and covenants to the Owner Participant, the Owner Trustee and the Lessee 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 duly authorized, executed and delivered by the Pass Through Trustee; this Agreement, each of the Pass Through Trust Documents and the Participation Agreement 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 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 perfor-

mance 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 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 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;

(7) except for the issue and sale of the Pass Through Certificates contemplated hereby, the Pass Through Trustee has not directly or indirectly offered any 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

(8) 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.

(e) Each Original Loan Participant, solely in its individual capacity, represents and warrants that:

(1) as of the Refunding Date it is the owner of a Loan Certificate in the aggregate principal amount set forth opposite its name on Schedule II hereto free and clear of Liens attributable to it; and

(2) this Agreement has been duly authorized, executed and delivered by such Original Loan Participant and constitutes the legal, valid and binding obligation of such Original Loan Participant, enforceable against such 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.

(f) The Indenture Trustee represents and warrants that this Agreement has been duly authorized, executed and delivered by it.

SECTION 10. 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 Pass Through Trustee, the Original Loan Participants, 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.

SECTION 11. 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 Owner Participant,

the Pass Through Trustee, the Loan Trustee and the Original Loan Participants (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, 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; and F) Winthrop, Stimson, Putnam & Roberts, special counsel to the Original Loan Participants;

(2) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant; and

(3) 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 Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., Salomon Brothers Inc and Pryor, McClendon, Counts & Co., Inc. in connection with the offering and sale of the Pass Through Certificates, 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 11, in each case allocable to the Equipment Notes issued under the Indenture.

Notwithstanding the foregoing, the Lessee shall pay, in 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 11 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 11; provided that 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.

SECTION 12. 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 Participants and the Pass Through Trustee, and the Lessee's, the Owner Trustee's, the Loan Trustee's, the Owner Participant's 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 1991 AF-1)" are hereby redesignated "(AA 1994 PTC Series AB)".

(d) 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; 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 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: P.O. Box 619616
Dallas/Fort Worth
International Airport
Texas 75261-9616
Attention: Vice President
Telex: 73-0613
Answerback: AMAIR-DFWDAL
Facsimile: (817) 963-4318
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:
Telex:
Answerback:
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 1994 PTC Series AB)
Telex:
Answerback:
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: 750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

SWISS BANK CORPORATION, New York Branch,
as Original Loan Participant

By _____
Name:
Title:

Address: 222 Broadway
Maildrop 222-4-E
New York, NY 10038
Attention:
Facsimile: (212) 574-3092
Telephone: (212) 574-3000

WESTLAND/UTRECHT HYPOTHEEKBANK, N.V.,
as Original Loan Participant

By _____
Name:
Title:

Address: Amstel Poort
Mr. Treublaan 7
1097 Amsterdam, The Netherlands
Attention:
Facsimile: 011-31-205604265
Telephone: 011-31-205604911

STATE STREET BANK AND TRUST COMPANY OF
CONNECTICUT, NATIONAL ASSOCIATION,
as Pass Through Trustee under each of
five separate Pass Through Trust
Agreements

By _____
Name:
Title:

Address: 750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION
(FORMERLY KNOWN AS C&S/SOVRAN TRUST COMPANY
(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

EXECUTION COPY
EXHIBIT 4(f)(6)

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REFUNDING AGREEMENT
(AA 1994 PTC Series AC)

Dated as of May 26, 1994

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 each of five separate
Pass Through Trust
Supplements

BANQUE INDOSUEZ

and

CREDIT NATIONAL,
as Original Loan Participants

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION
(FORMERLY KNOWN AS C&S/SOVRAN
TRUST COMPANY (GEORGIA), NATIONAL ASSOCIATION),
as Indenture Trustee

And

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

_____

One Boeing 757-223 Aircraft
N648AA

Leased to American Airlines, Inc.

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(AA 1994 PTC Series AC)

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REFUNDING AGREEMENT
(AA 1994 PTC Series AC)

This REFUNDING AGREEMENT (AA 1994 PTC Series AC) dated as of May 26, 1994, 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 1991 AF-2), dated as of June 25, 1991, 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 each of five separate Pass Through Trust Supplements (each, a "Pass Through Trust Supplement"), each dated as of May 26, 1994, between the Lessee and the Pass Through Trustee (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 (the "Pass Through Trust Agreement")), (v) BANQUE INDOSUEZ ("Indosuez") and CREDIT NATIONAL ("National" and, together with Indosuez, the "Original Loan Participants"), (vi) NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION (formerly known as C&S/Sovran Trust Company (Georgia), National Association), a national banking association, as Indenture Trustee (the "Indenture Trustee") under that certain Trust Indenture and Security Agreement (AA 1991 AF-2), dated as of June 25, 1991, 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 1991 AF-2), dated July 10, 1991, the "Original Indenture"), and (vii) 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 1994 PTC Series AC), dated as of May 26, 1994, between the Owner Trustee and State Street (in such capacity, the "Loan Trustee").

W I T N E S S E T H:

WHEREAS, the Lessee, the Owner Participant, the Owner Trustee, the Original Loan Participant and the Indenture Trustee entered into a Participation Agreement (AA 1991 AF-2), dated as of June 25, 1991 (the "Original Participation Agreement"), providing for the sale and lease of one Boeing 757-223 aircraft bearing U.S. Registration Number N648AA and Manufacturer's Serial Number 24606 (the "Aircraft");

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Participant entered into a Trust Agreement (AA 1991 AF-2) relating to the Aircraft, dated as of June 25, 1991 (such Trust Agreement, as supplemented by Trust Agreement and Indenture Supplement No. 1 (AA 1991 AF-2), dated July 10, 1991, the "Original Trust Agreement"), with the Owner Trustee in its individual capacity, pursuant to which Trust Agreement the Owner Trustee agreed, among other things, to hold the Trust Estate defined in Section 1.01 of such Trust Agreement for the benefit of the Owner Participant thereunder;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Participant entered into a Tax Indemnity Agreement (AA 1991 AF-2) relating to the Aircraft, dated as of June 25, 1991 (the "Original Tax Indemnity Agreement"), with the Lessee;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and the Indenture Trustee entered into the Original Indenture pursuant to which the Owner Trustee issued to Indosuez a certificate substantially in the form set forth in Article II of the Original Indenture as evidence of the loan then being made by such Original Loan Participant in participating 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) or, if not defined therein, as defined in the Lease (as defined below)) for the Aircraft;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee and the Lessee entered into a Lease Agreement (AA 1991 AF-2) relating to the Aircraft, dated as of June 25, 1991 (such Lease Agreement, as supplemented by Lease Sup-

plement No. 1 (AA 1991 AF-2), dated July 10, 1991, the "Original Lease"), whereby, 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 such Owner Trustee, the Aircraft on its Delivery Date;

WHEREAS, concurrently with the execution and delivery of the Original Participation Agreement, the Owner Trustee, the Lessee, the Owner Participant and the Indenture Trustee entered into a Rent Schedule (AA 1991 AF-2) relating to the Original Lease, dated as of June 25, 1991 (the "Original Rent Schedule");

WHEREAS, subsequent to the execution and delivery of the Original Participation Agreement and prior to the date hereof, Indosuez transferred a portion of its interest in the certificate held by it to National, and the Owner Trustee issued a replacement certificate to Indosuez and a certificate to National, each substantially in the form set forth in Article II of the Original Indenture (each, a "Loan Certificate", and together, the "Loan Certificates");

WHEREAS, pursuant to the Instrument of Resignation, Appointment and Acceptance, dated as of May 26, 1994 (the "Instrument of Resignation"), among the Lessee, the Owner Trustee, the Indenture Trustee, the Loan Trustee and the Original Loan Participant, the Indenture Trustee has resigned under the Original Indenture, and the Pass Through Trustee, the Lessee and the Owner Trustee have accepted such resignation and the appointment of the Loan Trustee as successor to the Indenture Trustee;

WHEREAS, State Street Bank and Trust Company, a Massachusetts banking corporation, of which the Loan Trustee is a wholly-owned subsidiary, has entered into a guarantee, dated as of May 26, 1994 (the "State Street Guarantee") for the benefit of, among others, the holders from time to time of the Loan Certificates and the Equipment Notes (as defined below), substantially in the form of Exhibit A hereto with respect to certain obligations of the Loan Trustee;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Owner Participant have entered into the First Amendment to Trust Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994 (the "Trust Agreement Amendment"; the Original Trust Agreement, as so amended, the "Trust Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Participant and the Lessee have entered into the First Amendment to Tax Indemnity Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994 relating to the Aircraft amending the Original Tax Indemnity Agreement (the "Tax Indemnity Agreement Amendment"; the Original Tax Indemnity Agreement, as so amended, the "Tax Indemnity Agreement");

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Loan Trustee have amended and restated the Original Indenture as the Amended and Restated Trust Indenture and Security Agreement (AA 1994 PTC Series AC), dated as of May 26, 1994 (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 certificates substantially in the form set forth in Exhibit A to the Indenture (herein, together with any certificates issued in replacement thereof, unless the context otherwise requires, being collectively called the "Equipment Notes" and individually an "Equipment Note") to the Pass Through Trustee of each Grantor Trust (as defined below);

WHEREAS, Section 20 of the Original Participation Agreement contemplates the redemption of the 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 its 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) five separate grantor trusts (each, a "Grantor Trust") will be created to facilitate the transactions contemplated hereby;

WHEREAS, the proceeds from the sale of the Pass Through Certificates will be applied to purchase the Equipment Notes from the Owner Trustee;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee and the Lessee

have entered 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;

WHEREAS, concurrently with the execution and delivery of this Agreement, the Owner Trustee, the Lessee, the Owner Participant, the Indenture Trustee and the Loan Trustee have amended and restated the Original Rent Schedule as the Amended and Restated Rent Schedule (AA 1991 AF-2) (redesignated as AA 1994 Series AC), dated as of May 26, 1994 (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 11:00 a.m. New York City time on May 26, 1994 or at such other date and time agreed to by the parties hereto (the "Refunding Date"), (i) immediately prior to the Closing (as hereinafter defined), if the Refunding Agreement 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 Loan Certificates to the Refunding Date, (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, (iii) the Pass Through Trustee for each Grantor Trust shall pay to the Owner Trustee the aggregate purchase price of the Equipment Notes being issued as set forth in clause (viii) below, (iv) the Owner Trustee shall pay to the Loan Trustee for the benefit of the Original Loan Participants an amount equal to the then outstanding principal amount of all Loan Certificates outstanding on the Refunding Date together with accrued and unpaid interest on such Loan Certificates to the Refunding Date and Break Amount, if any, (v) the Loan Trustee shall disburse to each of the Original Loan Participants the amounts of principal and interest, and Break Amount, if any, owing to it on the Refunding Date with respect to its Loan Certificates as a prepayment of such Loan Certificates in accordance with Section 2.12 of the

Original Indenture, (vi) each of the Original Loan Participants shall, against receipt of payment for its Loan Certificates, deliver to the Loan Trustee all of its Loan Certificates for cancellation, (vii) promptly following the prepayment of the Loan Certificates, the Owner Trustee and the Loan Trustee shall enter into the Amended and Restated Indenture and (viii) the Owner Trustee shall issue, pursuant to Article II of the Indenture, to the Pass Through Trustees for the five Grantor Trusts Equipment Notes of the maturity, aggregate principal amount and bearing the interest rate set forth on Schedule I hereto opposite the name of each such Grantor Trust.

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. In case the Pass Through Trustee shall for any reason fail to purchase the Equipment Notes 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 Participants any amount in respect of the prepayment of the Loan Certificates and the Loan Certificates shall remain outstanding and in full force and effect.

d. 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.

e. 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.

f. Subject to the terms and conditions hereof, in order to facilitate the refinancing by the Owner Trustee of the Loan Certificates contemplated hereby, the Lessee is entering into the Underwriting Agreement, dated as of May 13, 1994, among the Lessee and the several 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, 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, 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. The Equipment Notes shall be issued in various maturities and 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 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 set forth opposite the name of such Grantor Trust on Schedule I hereto, which Equipment Notes in the aggregate shall be in the principal amounts set forth on Schedule I hereto. All such Equipment Notes shall be dated and authenticated as of the Refunding Date and shall bear interest therefrom, shall be registered 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 Pass Through Trustee to make the payment described in Section 1(a)(iii) 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 (a), (f) and (l) shall not be conditions precedent to the obligations of the Owner Trustee hereunder and paragraphs (a), (g) and (n) shall not be conditions precedent to the obligations of the Owner Participant hereunder):

a. The Owner Trustee shall have tendered to the Pass Through Trustee the Equipment Notes as required by Section 2.

b. 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 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, the Participation Agreement and this Agreement;

(7) the Pass Through Trust Supplements and the Pass Through Trust Agreement (collectively, the "Pass Through Trust Documents");

(8) the Instrument of Resignation;

(9) the Tax Indemnity Agreement Amendment (for the Owner Participant only); and

(10) the State Street Guarantee.

c. 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) such other documents and evidence with respect to the other parties hereto as it may reasonably request in order to establish the due consummation of the transactions contemplated by this Agreement, the other Operative Documents (as defined in the Lease), and the Pass Through Trust Documents, the taking of all necessary corporate action in connection therewith and compliance with the conditions herein set forth.

d. 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;

(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 of 1958, as amended (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 are correct on and as of such earlier date);

(5) no material adverse change shall have occurred in the financial condition of the Lessee and its consolidated subsidiaries, taken as a whole, from that shown in the audited consolidated financial statements of the Lessee and its consolidated subsidiaries as of December 31, 1993;

(6) 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

(7) No Event of Loss has occurred and is continuing.

e. 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 are correct on and as of such earlier date).

f. 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 are correct on and as of such earlier date).

g. 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 are correct on and as of such earlier date).

h. 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 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 pursuant to Section 4(F) of the Participation Agreement.

j. A UCC-1 financing statement and an amendment or amendments (including an assignment) to the Uniform Commercial Code financing statement or statements covering the security interests created by the Indenture shall have been executed and delivered by the Owner Trustee, as debtor, and by the Loan Trustee, as secured party, and such amendments shall have been duly filed in all places necessary or desirable within the State of Delaware, and an amendment or amendments (including an assignment) to the Uniform Commercial Code financing statement or statements describing the Lease as a lease shall have been executed and delivered by the Indenture Trustee, the Loan Trustee and the Lessee, and such amendment or amendments shall have been duly filed in all places necessary or desirable within the State of Texas.

k. 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-Administration and General Counsel of the Lessee, substantially in the form of Exhibit E hereto.

l. 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 set forth in Exhibit F hereto.

m. 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 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, counsel of the Owner Participant, substantially in the form of Exhibit I hereto.

o. 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 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 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 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 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 the receipt by the Lessee of (i) 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 and (ii) such other documents and evidence with respect to each other party hereto 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.

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 Participants, 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 Participants, 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 each Original Loan Participant, the Owner Trustee, the Indenture Trustee and the Loan Trustee; the Original Loan Participants 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 Lessee, by execution and delivery hereof, consents to such execution and delivery of 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 Pass Through Trustee, 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 Participants, by execution and delivery hereof, request and instruct 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 Lease Amendment and the Amended and Restated Rent Schedule shall be effective as of the Closing.

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 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 shall remain in full force and effect.

SECTION 8. Lessee's Representations and Warranties. The Lessee represents and warrants to the Pass Through Trustee, the Owner Participant, the Owner Trustee, the Original Loan Participants and the Loan Trustee that:

a. 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, is a "citizen of the United States" as defined in Section 101(16) of the Federal Aviation Act, has the corporate power and authority to own or hold under lease its properties, has, or had 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 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 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) is located in Fort Worth, Texas;

b. the execution and delivery 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 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 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 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 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, 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 or foreign governmental authority or agency, other than (i) the registration of the issuance and sale of the Pass Through Certificates, Series 1994-A (the "Pass Through Certificates"), to be issued pursuant to the provisions of the Pass Through Trust Documents, under the Securities Act of 1933, as amended, which registration has been duly accomplished, 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 Act of 1939, as amended, which qualification has been duly obtained pursuant to an order of the Securities and Exchange Commission, and iii) the registrations and filings referred to in Section 8(h);

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. there are no pending or threatened actions or proceedings before any court 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 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 (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, 1992, inclusive, are subject to examination by the Internal Revenue Service;

g. 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 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); since December 31, 1993, 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 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) that has not been previously taken is necessary 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 the amendments referred to in Section 3(j) hereof under Article 9 of the Uniform Commercial Code as in effect in the State of Texas in respect of a financing statement previously filed under such Article 9), or to perfect the security interest in favor of the Loan Trustee in the Owner Trustee's interest in the Aircraft (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 and in the Lease in any applicable jurisdiction in the United States (other than the Loan Trustee taking possession of the original counterparts of the Original Lease and the Lease Amendment (to the extent the Original Lease and the Lease Amendment constitute chattel paper) and the filing of (i) the UCC-1 financing statement and (ii) the amendments (and assignments) referred to in Section 3(j) hereof under Article 9 of the Uniform Commercial Code as in effect in the States of Delaware or Texas, as the case may be, in respect of a financing statement previously filed under such Article 9);

i. the Lessee represents and warrants that neither it nor any Person authorized to act on its behalf

has (i) (other than as described in clause (ii)) directly or indirectly offered any interest in the Trust Estate or the Equipment Notes or any similar interest for sale to, or solicited any offer to acquire any of the same from, anyone other than the Owner Participant, the Original Loan Participants and not more than 70 other institutional investors or (ii) directly or indirectly offered the Pass Through Certificates for sale to anyone other than in a manner required by the Securities Act of 1933, as amended, 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;

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

l. no event has occurred and is continuing which constitutes an Event of Loss or would constitute an Event of Loss with the elapse of time.

SECTION 9. Representations, Warranties and Covenants. a. The Loan Trustee represents, warrants and covenants to the Pass Through Trustee, the Owner Participant, the Owner Trustee, the Original Loan Participants and the Lessee 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" within the meaning of Section 101(16) of the Federal Aviation Act 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 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 a party;

(2) the execution and delivery by the Loan Trustee of this Agreement, the Indenture, each other Operative Document to which it is 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 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 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 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 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 a party;

(2) 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 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 Amended and Restated Rent Schedule, the Original Participation Agreement, the Original Trust Agreement, the Original Indenture, the Original Lease and each other Operative Document to which it is a party 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;

(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 party, constitutes, and each of the Participation Agreement, when the Closing has occurred, the Indenture, when entered into, the Lease, when the Lease Amendment shall have been 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, and on the Refunding Date shall have duly issued, executed and delivered to the Pass Through Trustee, the Equipment Notes pursuant to the terms and provisions 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 or trust capacity 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 Participants 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 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 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 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 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 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 relat-

ing 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 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 its knowledge, 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 it; and

(7) 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).

d. The Pass Through Trustee represents, warrants and covenants to the Owner Participant, the Owner Trustee and the Lessee 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 duly authorized, executed and delivered by the Pass Through Trustee; this Agreement, each of the Pass Through Trust Documents and the Participation Agreement 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 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 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 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;

(7) except for the issue and sale of the Pass Through Certificates contemplated hereby, the Pass Through Trustee has not directly or indirectly offered any 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

(8) 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.

e. Each Original Loan Participant, solely in its individual capacity, represents and warrants that:

(1) as of the Refunding Date it is the owner of a Loan Certificate in the aggregate principal amount set forth opposite its name on Schedule II hereto free and clear of Liens attributable to it; and

(2) this Agreement has been duly authorized, executed and delivered by such Original Loan Participant and constitutes the legal, valid and binding obligation of such Original Loan Participant, enforceable against such 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.

f. The Indenture Trustee represents and warrants that this Agreement has been duly authorized, executed and delivered by it.

SECTION 10. 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 Pass Through Trustee, the Original Loan Participants, 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.

SECTION 11. 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 Owner Participant, the Pass Through Trustee, the Loan Trustee and the Original Loan Participants (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, 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; and F) Winthrop, Stimson, Putnam & Roberts, special counsel to the Original Loan Participants;

(2) the reasonable fees, expenses and disbursements of Sidley & Austin, special counsel for the Owner Participant; and

(3) all other reasonable expenses incurred in connection with such actions and transactions, includ-

ing, without limitation, the fees, expenses and/or commissions payable to each of Morgan Stanley & Co. Incorporated, Lehman Brothers Inc., Salomon Brothers Inc and Pryor, McClendon, Counts & Co., Inc. in connection with the offering and sale of the Pass Through Certificates, 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 11, in each case allocable to the Equipment Notes issued under the Indenture.

Notwithstanding the foregoing, the Lessee shall pay, in 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 11 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 11; provided that 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.

SECTION 12. 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 Participants and the Pass Through Trustee,

and the Lessee's, the Owner Trustee's, the Loan Trustee's, the Owner Participant's 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 1991 AF-2)" are hereby redesignated "(AA 1994 PTC Series AC)".

d. 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; 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 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: P.O. Box 619616
Dallas/Fort Worth
International Airport
Texas 75261-9616
Attention: Vice President
Telex: 73-0613
Answerback: AMAIR-DFWDAL
Facsimile: (817) 963-4318
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:
Telex:
Answerback:
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 1994 PTC Series AC)
Telex:
Answerback:
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: 750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

BANQUE INDOSUEZ,
as Original Loan Participant

By _____
Name:
Title:

Address: 47 Rue de Morceau
75008 Paris, France

Attention:
Facsimile: 331-4420-2906/2987
Telephone: 331-4420-2020

CREDIT NATIONAL,
as Original Loan Participant

By _____
Name:
Title:

Address: 45 Rue St. Dominique
75007 Paris, France

Attention: Bruno Lecerf
Facsimile:
Telephone:

STATE STREET BANK AND TRUST COMPANY OF CONNECTICUT, NATIONAL ASSOCIATION,
as Pass Through Trustee under each of five separate Pass Through Trust Agreements

By _____
Name:
Title:

Address: 750 Main Street
Hartford, Connecticut 06103
Attention: Corporate Trust Department
Facsimile: (203) 244-1899
Telephone: (203) 244-1800

NATIONSBANK OF GEORGIA, NATIONAL ASSOCIATION
(FORMERLY KNOWN AS C&S/SOVRAN TRUST COMPANY
(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

CREDIT NATIONAL

By: _____
Name:
Title:

Address: 45 Rue St. Dominique
75007 Paris, France
Telephone: 011-33-1-45-50-90-53
Telecopy: 011-33-1-45-55-18-77